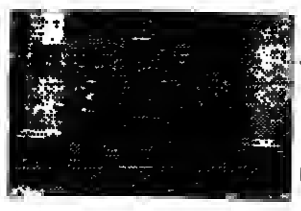

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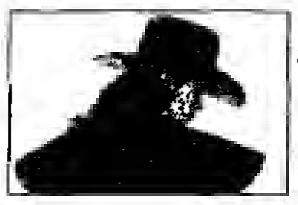

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FINANCIAL TIMES

Europe's Business Newspaper THURSDAY JULY 22 1993 D8523A

Northern Telecom sets out massive restructure plan

Northern Telecom has outlined a massive restructuring plan in the hope of correcting deep-seated problems in its world telecommunications equipment business.
The Canadian company, which announced a second-quarter loss of more than $1bn, is selling its submarine systems division to Alcatel of France, cutting its workforce by 9 per cent and taking a $500m writedown on its investment in STC, the UK telecommunications group. Page 11; Nortel sells marine cable arm, Page 27; Lex, Page 10

'Last chance' for peace: International mediators Lord Owen and Thorvald Stoltenberg summoned the leaders of Bosnia's three warring factions to Geneva for what they say will be a final round of peace negotiations. Page 3; In Belgrade, only the mint works, Page 3

Poor results for carriers: Two of the biggest US airlines, USAir and AMR, owner of American Airlines, struggled back into profit in the second quarter of this year after the effects of a prolonged price war and recession, but both companies said their results were disappointing. Page 11

Premier's appeal: UK prime minister John Major will today stake his authority on a last-ditch plea to Conservative Eurosceptics to end the ruling party's year-long civil war over Maastricht by voting against the treaty's social chapter. Page 10; Reports, Page 6; Observer, Page 9

'Crisis' over oil: The Organisation of Petroleum Exporting Countries is facing its worst crisis since 1986 when oil prices collapsed almost overnight, Gholamreza Aqazadeh, the Iranian oil minister, said. Page 10

Marion Merrell Dow: A special $180m restructuring charge for its US business and falling sales of its leading medicines pushed earnings for the pharmaceuticals group down 85 per cent, to $29m, for the second quarter. Page 13

Report hits Dinkins' re-election hopes

The chances of David Dinkins (left) gaining re-election as mayor of New York this autumn have been hit by a report which strongly criticises his handling of four days of violent disturbances in the city in 1991. The report, drawn up for New York's Democratic governor Mario Cuomo, blames Mr Dinkins, also a Democrat, for failing to act decisively enough to prevent disturbances from escalating into four days of violent confrontation between blacks and Jews. Page 3

Compaq Computer's earnings more than tripled in the second quarter as the company gained ground in the personal computer market. The US group also reported record sales for the fourth consecutive quarter. Page 11

Bundesbank target broken: Growth in German money supply has exceeded the target range set by the Bundesbank for the third month in a row, dashing market hopes that the central bank would be able to speed up its phased reduction of interest rates. Page 2

Coca-Cola has struck a $24.5m deal to produce soft drinks in Vietnam as soon as the US trade embargo is lifted, challenging its rival Pepsi-Cola in what is a fast-developing market. Page 5

Trade move: France is planning to present proposals soon which would give the European Community similar weapons against unfair trade practices to those available to the US. Page 5

Aerospace plea: Britain's aerospace industry could suffer "irreversible damage" without more government support, a committee of MPs said. Page 5; Editorial Comment, Page 9

Steinkühler report: The insider dealing commission of the Frankfurt stock exchange pointedly failed to clear Franz Steinkühler, the former head of IG Metall, Germany's powerful engineering union, of insider dealing in the shares of a Daimler-Benz holding company. Page 2

Hyundai deal: Labour and management at Hyundai Motor reached a tentative wage accord as riot police gathered outside the company's plant ready to suppress a month-long strike. Page 4

Police shoot eight: At least eight supporters of India's ruling Congress party were killed when police opened fire on violent protesters in Calcutta, capital of the communist-led West Bengal state.

STOCK MARKET INDICES

FT-SE 100:	2814.1	(-9.8)
Yield	4.07	
FT-SE Eurotrack 100	212.75	(-12.10)
FT-A All-Share	1396.75	(-0.3%)
Nikkei	20080.91	(+42.91)
New York: lunchtime		
Dow Jones Ind Ave	3538.08	(-6.70)
S&P Composite	446.14	(-1.17)

US LUNCHTIME RATES

Federal Funds:	3⅛%
3-mo Treas Bills: Yld	3.127%
Long Bond	108¼
Yield	6.605

LONDON MONEY

3-mo Interbank	6¼%	(same)
Liffe long gilt future:	Sep 108½	(Sep108⅝)

NORTH SEA OIL (Argus)

Brent 15-day (Sep)	$16.85	(16.6)

Gold

New York Comex Aug	$389.5	(392.2)
London	$390.4	(392.0)

STERLING

New York lunchtime:		
$	1.514	
London:		
$	1.5145	(1.5015)
DM	2.5725	(2.565)
FFr	8.7875	(8.765)
SFr	2.2725	(2.2575)
Y	164.25	(162.75)
£ Index	82.1	(81.6)

DOLLAR

New York lunchtime:		
DM	1.6975	
FFr	5.79825	
SFr	1.50005	
Y	108.465	
London:		
DM	1.6985	(1.709)
FFr	5.8025	(5.8375)
SFr	1.501	(1.504)
Y	108.5	(108.3)
$ Index	65.7	(66.0)

Tokyo close Y 108.25

Austria	Sch30	Germany	DM3.30	Malta	Lm0.60	S.Arabia	SR11
Bahrain	Din1.250	Greece	Dr300	Morocco	MDh13	Singapore	S$4.10
Belgium	BFr60	Hungary	Ft172	Neth	Fl 3.75	Slovak Rp	KSL45
Bulgaria	Lv25.00	Iceland	IKr215	Nigeria	Naira45	Slovenia	SLT220
Croatia	HRD5700	India	Rs40	Norway	NKr16.00	South Africa	R12.00
Cyprus	C£1.00	Israel	Shk5.90	Oman	OR1.50	Spain	Pta210
Czech Rp	Kcs45	Italy	L2700	Pakistan	Rs35	Sweden	SKr15
Denmark	DKr15	Jordan	JD1.50	Philippines	Pso45	Switz	SFr3.20
Egypt	E£4.50	Kuwait	Fils.600	Poland	Zl22,000	Syria	S£50.00
Finland	FM12	Lebanon	US$1.25	Portugal	Es215	Tunisia	Din1.250
France	FFr9.00	Lux	LFr60	Qatar	QR12.00	Turkey	L8000
						UAE	Dh11.00

Top groups head French sell-off

$15bn could be raised from sale of Elf-Aquitaine, Rhône-Poulenc and Banque Nationale de Paris

By John Ridding and David Buchan in Paris

THE FRENCH government yesterday named three of the country's leading industrial and financial groups to spearhead its ambitious privatisation programme.

The planned sale of Elf-Aquitaine, the oil group which is France's largest industrial concern, Rhône-Poulenc, the chemicals group, and Banque Nationale de Paris, could raise more than FFr90bn ($15.35bn), brokers estimated last night. The first sale is due this autumn. Among the biggest and most solid institutions in the state sector, all three had been expected to figure among the first to be sold off.

The fourth concern named yesterday for sale this autumn was Banque Hervet, a small property-oriented bank, which expressed surprise at being included in the first wave of the state sell-off.

The scale of the share sale, which is aimed at international as well as French investors, will depend on market conditions and on whether the state decides to sell its stakes entirely or in tranches. The proceeds will be used to fund public housing and infrastructure to help pull the economy out of recession, as well as to restrain the budget deficit estimated this year at FFr317bn.

The Balladur government has named another 17 companies for sale. But since many of these currently suffer losses – such as Bull, the computer company and Air France, the airline – it has set no time limit on the completion of its programme. Eventually, the conservative government hopes to reduce significantly the size of what is Europe's largest public sector, after Italy.

PAGE 11
France starts with the cream: First bites at the privatisation menu

Heads of the companies selected yesterday have said that privatisation would not alter their strategies, which have allowed for partial sales of state-owned shares even under the preceding Socialist government.

"I am the manager of the company, not the owner," said Mr Loïk Le Floch Prigent, Elf's president, shortly before yesterday's announcement.

Privatisation will facilitate the raising of the new capital that the heavily indebted French state has been increasingly unable to provide.

Yesterday's announcement is to be followed within two weeks by the naming of a special privatisation committee, which will value the four companies for sale with the help of domestic and international banking advisers.

At the same time, the finance ministry did not exclude the possibility that the government might make changes at the top of the four companies before privatisation.

By naming four companies in three different sectors for early sale, the government has given itself the flexibility to decide in September which it will float off first. It is generally confident about the demand for privatisation shares, following the success of the Balladur bond issue earlier this month. The bond, which can be converted into equity of privatised companies raised FFr110bn, almost three times the target amount.

The pricing of the offers will be decided immediately before their floatation. The privatisation bill allows the government to retain a golden share to maintain strategic control over companies involved in sensitive sectors such as energy, defence and high-technology.

President François Mitterrand named Elf among several companies which required "extreme caution" in putting them into private hands.

The government is also trying to hasten a merger between Renault and Volvo, with the aim of privatising the motor group as quickly as possible.

Peres tries to unblock Mideast peace talks

By Julian Ozanne in Jerusalem

ISRAEL IS hammering out a new formula to present to the Palestinians to unblock the Middle East peace process, Mr Shimon Peres, foreign minister, said yesterday.

In an interview in Jerusalem, Mr Peres said the government was moving towards a compromise package which would seek to sidestep two thorny issues blocking the 21-month-old peace talks – territorial control over Arab East Jerusalem and legal jurisdiction over settlers in the occupied territories during an interim period of Palestinian self-government.

Mr Peres said among the incentives Israel could offer the Palestinians in return for acceptance of such a package were: greater economic assistance in the occupied territories; a commitment in principle by Israel that the final status of a Palestinian entity will be confederation with Jordan; and the so-called "Gaza first" option – handing over control of the occupied Gaza strip to a Palestinian authority immediately, leaving the status of the occupied West Bank to later negotiations.

The foreign minister said that after 10 rounds of talks both sides had become bogged down by definitions and the problem of convincing their constituencies that they had not given anything away.

"We are trying to meet the problems and build a package both sides can accept," Mr Peres said. "Let us sign what we agree on now and leave the rest to later."

Mr Peres said the advantage of the "Gaza first" option was that it avoided the question of control of Arab East Jerusalem and the problem of Jewish settlers – many of whom live in the occupied West Bank.

The veteran Labour party politician said the idea of a confederation was a good compromise to all sides because it "calmed" Israeli fears of an aggressive independent Palestinian state and "calmed" Palestinian fears because it committed Israel to giving back occupied land.

But he said a final accord on a confederation could not be negotiated now because that would

Continued on Page 10

EBRD to drop claims as Attali waives final fee

By Gillian Tett in London and Robert Graham in Rome

THE European Bank for Reconstruction and Development yesterday confirmed it is to drop claims against its former president, Mr Jaques Attali, over his alleged financial mismanagement.

The announcement was made as Mr Guiliano Amato, the former socialist Italian prime minister, became the latest nominee in the vote for the bank's new president, due to start today.

According to the terms of Mr Attali's resignation agreement, Mr Attali has waived his rights to a termination fee, worth more than $147,000 in exchange for a "full and final settlement" over any claims the bank might have in connection with the severely critical audit report submitted by Coopers & Lybrand last week. The bank's board of governors is due to meet in London today to discuss the further implications of the audit report.

Mr Attali's official resignation came as the final deadline was due for nominations for his successor. As intense behind-the-scenes negotiations continued, the bank announced the deadline had been extended by a week.

The bank yesterday confirmed that at least three candidates have been put forward. These include Mr Amato, and Mr Leszek Balcerowicz, former Polish finance minister. Sources within the bank have also suggested Mr Henning Christopherson, currently EC economics commissioner. Mr Jaques de Larosière, governor of the Bank of France, and an unnamed Russian candidate are possible candidates. Mr de Larosière is judged the strongest candidate, apparently supported by the Germans and British.

Although the new president will be elected for a four-year term, there is speculation that he might serve the remaining two years only of Mr Attali's tenure, opening the way for a compromise candidate.

"There is a strong feeling here that the French have a moral right to succeed Mr Attali," a source at the bank yesterday said. "This will not be a vote in the normal sense. It will be all about negotiations and pressure."

Italy decided to nominate Mr Amato at the last minute, after high-level consultation with its partners. As Italy already has a deputy-chairmanship through Mr Mario Sarcinelli, a former senior treasury official, election of Mr Amato as president would require a reshuffle of the board.

The move suggests Mr Amato's sudden candidature is a compromise move by Italy to produce a

Continued on Page 10
Editorial Comment, Page 9

The rush to replace Japanese prime minister Kiichi Miyazawa, who is expected to resign today, became more confused yesterday as the ailing Mr Michio Watanabe, the foreign minister (above), announced that he would "stake my life" on leading the party and the country Page 4

Bankers brush aside fears of threat from derivatives

By Laurie Morse and Tracy Corrigan in London

A GROUP of the world's top bankers yesterday brushed aside alarm that the $1,000bn derivatives market poses a threat to the international banking system.

The Group of Thirty, a Washington-based think-tank chaired by Mr Paul Volcker, former head of the US Federal Reserve, concluded that no new regulations are required, but market participants should implement stricter internal controls.

The long-awaited recommendations on the high-tech financial instruments, stand in sharp contrast to concerns voiced recently by Mr William McDonough, new chair of the New York Fed, and by warnings last year by his predecessor, Mr Gerald Corrigan, might be running out of control.

Derivatives are instruments whose value is based on an underlying cash market in stocks, currencies, interest rates or commodities.

The Group of Thirty conceded the instruments were complicated, but said internal safeguards were adequate for supervision.

PAGE 9
Easy option or unnecessary risk: the explosive growth of new financial instruments
PAGE 14
G30 sets new benchmark for the derivatives industry

Mr Volcker, in a foreword to the report, says: "The critically important contribution of this study has been to define a set of sound risk management practices for dealers and end users."

The G30 report falls into step with recent reviews of derivatives by the Bank of England and the Bank for International Settlements.

A Bank of England official said yesterday that the G30 report seemed "in keeping" with its own derivatives report issued in April.

Many of the study's findings – that public disclosure of derivatives exposures is inadequate, that wider acceptance of multi-product netting agreements is needed and derivatives accounting practices must be standardised – are not new.

The report avoided making suggestions for additional regulatory oversight, sidestepping comment on the controversial issue of capital adequacy that underlies the unease about derivatives trading.

A very narrow group of firms dominate the derivatives trade – according to one survey, eight in dealers do more than 58 per cent of the business – and those dealers were prominently represented in the Group of Thirty study group.

Sir Dennis Weatherstone, chairman of J.P. Morgan and leader of the G30 study group on derivatives, said that the major problem facing the derivatives industry had been a lack of understanding.

"We have made substantial progress in this area," he said.

CONTENTS

Bundesbank target is broken again

By David Waller in Frankfurt

GROWTH in German money supply has exceeded the target range set by the Bundesbank for the third month in a row, dashing market hopes that the central bank would be able to speed up its phased reduction of interest rates.

According to provisional figures released yesterday by the Bundesbank, the M3 broad money measure climbed at an annualised, seasonally adjusted rate of 7.1 per cent in June.

Coming after 6.9 per cent growth in May, yesterday's figure was both a surprise and a disappointment for economists who had optimistically hoped for a lower figure, perhaps within the 4.5-6.5 per cent target range.

The poor figures, reflecting growth in public sector borrowing, led economists to predict that the Bundesbank would not move to cut headline interest rates at next Thursday's meeting of the policy-making council, the last time the council meets again before September.

Talk of another July rate cut was sparked earlier this month by speculative pressure on the French franc and Danish krona in the exchange rate mechanism of the EMS.

But the speculative pressures have since abated, shifting the markets' focus back to Germany's domestic monetary goals.

"With M3 running at such a high level it will be difficult for the Bundesbank to justify any further cuts," said Mr Hermann Remsperger, chief economist at the BHF-Bank yesterday. The figures showed that lending to businesses and private individuals rose at a seasonally-adjusted annualised rate of 7.5 per cent in the first half of year.

"The chance of another rate cut is virtually zero now," said Mr Klaus Baader, UBS Phillips & Drew economist in London.

A central factor behind the unexpected increase in M3 was a rise in foreign currency assets of the banking sector.

The reason for this puzzled economists, but Ms Alison Cottrell of Midland Global Markets Research in London said it probably reflected the after-effects of previous currency market intervention by the Bundesbank.

The Federation of German Banks said that a further rate cut would encourage growth in Germany, which is mired in recession, but it said the central bank had to move carefully because of stubbornly high inflation and the need to maintain confidence in the D-Mark. German bankers are concerned that if rate cuts came too rapidly the D-Mark would come under pressure.

Provisional inflation figures for July are expected within the next few days.

Inflation is likely to be 4.3 per cent, up from 4.2 per cent in June and more than twice the Bundesbank's long-term target of 2 per cent inflation.

However, the negative impact of the money supply figures was offset by a number of factors, including the Bundesbank's money market operations.

The repo rate, the rate at which the Bundesbank provides wholesale funds for the market, fell to 7.15 per cent yesterday, down from 7.23 per cent last week. This was better than traders' expectations of a fall to 7.18-7.20 per cent. This brings the repo rate closer to the floor set by the discount, currently at 6.75 per cent after being reduced by half a percentage point at the beginning of July.

Moreover, Mr Johann Gaddum, a member of the Bundesbank's directorate, told journalists on Tuesday night that the money supply target range of 3.5-5.5 per cent growth was attainable, but conceded that progress towards the goal was not "over the hill".

The latest Bundesbank monthly report said that a brightening of the monetary environment was one reason for the generous cuts in the discount and Lombard rate on July 1.

THE uncomfortably high German money supply figure and the comments by Mr Gaddum added to concerns over the prospects for the French franc yesterday, writes Peter John in London.

Economists argued that if Germany does not ease monetary policy soon France will have to raise rates to help its currency, a possibility that had been dismissed until yesterday.

Higher interest rates would hit the French government bond market, the recent strength of which has supported the currency. If investors begin to sell bonds and currency the weight of money leaving the country will be huge.

The French currency ended the day marginally firmer at FFr3.41.50 against the D-Mark, just over 1.5 centimes above its official ERM floor.

However, French government bond futures crashed through a key support level to close more than half a percentage point lower.

GM-VW inquiry statement due

By Christopher Parkes in Frankfurt

FRESH light is expected to be shed on the industrial espionage battle between General Motors and Volkswagen later today when criminal investigators are due to issue their first formal statement since they started the search for evidence in late April.

The Darmstadt state prosecutor's office, which took up the investigation at GM's request after Mr José Ignacio Lopez de Arriortúa defected from GM to VW in March, said its statement would cover progress so far.

Most interest is focused on recent finds, especially four boxes discovered on July 12 in a Wiesbaden apartment previously occupied by two of Mr Lopez's colleagues. The duo quit GM's German subsidiary, Adam Opel, shortly after Mr Lopez was appointed production and procurement director at VW. The cartons are known to have contained details of a secret new car model, but it is understood that further confidential information was also discovered.


Volkswagen chairman Ferdinand Piëch faces mounting pressure

Mr Lopez and his associates, backed by VW and the group's supervisory board, have consistently denied that they took or delivered any secrets to VW.

The state prosecutors, who launched their probe after GM established grounds for suspicion of industrial spying by presenting affidavits from its employees, have already interviewed more than 30 employees of the US-based automotive group.

VW staff have also been called in, but it is understood that Mr Lopez and his associates who joined him at VW when he quit General Motors, have yet to be interviewed.

Mr Lopez and Mr José Manuel Gutierrez, his closest aide at GM and now at VW, are believed to be on holiday. Personal testimony and affidavits from GM staff played a key role in a Hamburg court ruling earlier this week in which VW failed to prevent Der Spiegel news magazine from continuing to publish allegations of industrial espionage against VW and its employees.

Opel said yesterday that if VW pressed on with a full court hearing to try to reimpose a gag on Der Spiegel, it expected its employees would be prepared to appear again to support the magazine's case.

Volkswagen confirmed that it was considering restarting legal proceedings after this week's setback, but it wanted to see the court's reasoned opinion on the rulings first. According to VW, it could be several weeks before the written opinion is ready.

Fears for image of German industry

By Christopher Parkes

PUBLIC confidence in the leadership of Volkswagen is ebbing as Germany's most influential newspapers begin to consider that General Motors' claims of industrial espionage might, after all, be more than a "campaign" against its main German rival.

Nothing had yet been proved and nothing had been decided, said the Frankfurter Allgemeine Zeitung (FAZ) yesterday. However, it commented, Tuesday's ruling by a Hamburg civil court that Der Spiegel, the news weekly, could continue reporting on the most damaging allegations, had "cast a clear shadow" over VW. The suspicions were still only suspicions, but they were gaining weight, according to the FAZ said.

The paper noted recent remarks by Mr Klaus Liesen, chairman of the VW supervisory board, that the affair was a campaign by Adam Opel, GM's German subsidiary, which damaged the whole automobile industry. However, it said: "Above all it is damaging VW during a delicate restructuring phase." The need for explanations was increasing. "If the suspicions harden, then the situation will become especially tight for [VW] chairman Ferdinand Piëch, who is linked for better or worse with Lopez." Tuesday's court ruling indicated that the judge set more store on affidavits and testimony from GM employees than on statements from Mr José Ignacio Lopez de Arriortúa, Volkswagen's new production director, and Mr Piëch.

The weekly Die Zeit newspaper was more direct. It asked if Mr Lopez could be taken seriously when he spoke with a "forked tongue" over a mooted car factory in his Basque homeland.

His accounts varied depending on whether he was speaking in Spain or Germany, Die Zeit said.

If the allegations hardened that Mr Lopez had stolen secret GM documents, the VW supervisory board would have no choice but to fire him immediately, the paper added. If that did not take VW's name out of the headlines: "Then it will be a matter of the head of Piëch, who is not good at acting as though he knows nothing."

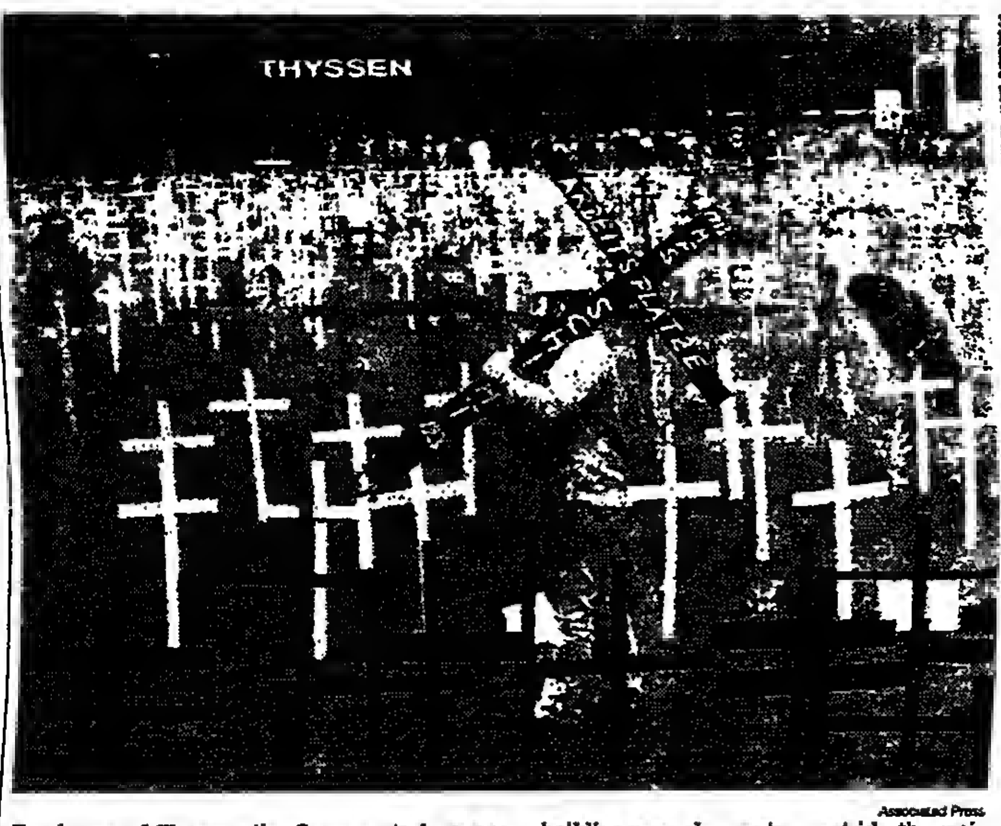
Until yesterday the quality press, apart from Der Spiegel which has printed dozens of allegations against Mr Lopez and his associates, had reported developments in the affair in dead-pan fashion, in barest detail, and virtually without comment, apart from the occasional use of the word "unique".

"The dimensions of the case are not conceivable to them (editors)," explained one German observer. "They cannot imagine that a company at the top of German industry could be involved in such an affair."

At the same time, there was a general feeling that Germany had enough economic and unemployment problems without the press undermining or damaging a company as important as Volkswagen, he added.

Yesterday even Bild Zeitung, the mass circulation daily, which has in the past concentrated mainly on the curiosity value of Mr Lopez, his eating habits and management methods, reflected the changed mood.

"Is Lopez on the way out?" asked the headline on its front-page report on the Der Spiegel ruling.



Associated Press
Employees of Thyssen, the German steel company, building a mock cemetery outside the main administration building in Duisburg yesterday with crosses marking job losses over the past year

Steinkühler share dispute shelved

By David Waller

THE insider dealing commission of the Frankfurt Stock Exchange yesterday pointedly failed to clear Mr Franz Steinkühler, the former union leader, of insider dealing in the shares of a Daimler-Benz holding company.

Without naming the former head of IG Metall, Germany's powerful engineering union, the commission said it had been unable to pursue one individual who had made self-incriminating remarks because that person had not signed the voluntary code under which insider dealing is regulated in Germany.

The commission said that under current laws it had no powers to pursue further the individual, who is understood to be Mr Steinkühler. He bought nearly DM1m (£300,000) of shares in Mercedes Holding (MAH), the bulk the day before an announcement on April 2 which led to a sharp rise in the price of MAH shares. The shares had risen before the announcement. At the time Mr Steinkühler was on the supervisory board of Daimler-Benz.

It is understood that Mr Steinkühler did not accept the anti-insider code retrospectively as some people have done in order to allow the commission to complete its enquiries. Mr Steinkühler denied dealing on the basis of inside knowledge gleaned from his position on the board, but he resigned from the Daimler board as well as his union position.

The commission said yesterday that it could be assumed that the rise in the MAH share price prior to the announcement on April 2 was not caused by people trading on the basis of inside knowledge.

Poland's $12bn debt talks collapse

By Anthony Robinson

NEGOTIATIONS between Poland and its London Commercial Club creditors for a reduction in Warsaw's $12.1bn bank debt were suspended indefinitely yesterday.

The Polish side rejected the banks' proposals as "not acceptable". Mr Krzysztof Krowacki, the chief negotiator, said: "We did not expect such a tough approach. The banks have been sending out signals that we would be offered something different. That is apparently not so."

Poland is seeking an agreement for a reduction of its debt to more than 300 commercial banks similar to the two-stage, 50 per cent debt reduction agreed with the Paris Club on $33bn of official debt in April 1991. In May Poland and the banks agreed to enter negotiations on the basis of three principles which linked an eventual debt reduction agreement to Poland's capacity to pay and its existing agreement with the Paris Club.

Mr Krowacki, who is being advised by Kidder Peabody, the US merchant bank and the US law firm, White & Case, said: "If the banks come up with a proposal in line with the three principles or are prepared to discuss our proposals, we would return to the table immediately. But there are no plans for this at present."

No comment was available from the banks last night.

Murdoch eyes TV channel

Mr Rupert Murdoch's News Corporation is likely to be a leading applicant to run Poland's first commercial national television network, writes Christopher Bobinski in Warsaw.

The company is considering applying jointly with the Polish Investment Consortium, set up this week, which comprises local banks, privatised companies and wealthy businessmen.

Under Polish legislation foreigners are limited to a 33 per cent share in broadcasting companies. The Bertelsman Corporation from Germany as well as Mr Silvio Berlusconi from Italy have also shown interest.

At the moment state-run television has two channels. A recently established Independent Radio and TV Council will consider applications in the autumn for the licence to run the third private channel.

Chirac chides Balladur

The emergence of Mr Edouard Balladur as a possible contender for the presidency appears to be playing on the nerves of his patron and party leader, Mr Jacques Chirac, who has rebuked the prime minister for not marking a sharper policy "rupture" with the preceding Socialist government, writes David Buchan in Paris.

A report by the Libération newspaper that Mr Chirac used a lunchtime meeting on Monday with coalition leaders to chide Mr Balladur for not pursuing distinctive polices on the economy, education and defence was yesterday confirmed by some of the participants.

Mr Chirac, who stayed out of the government to remain free to run for the presidency in 1995, seems to have been irked at Mr Balladur's failure to curb rising unemployment, at his acquiescence in President Mitterrand's decision to defer parliamentary consideration of private school funding, and at the prime minister's agreement with the Socialist president that France should continue its suspension of nuclear tests.

'I can no longer bear this disgrace. We are treated like dogs in kennels' - Gabriele Cagliari

Suicide note castigates Milan magistrates' methods

Extracts of the letter written by Gabriele Cagliari, former ENI chairman, to his family before committing suicide on July 20. The messages to his wife and children have been omitted.

ONCE more I am about to cause great grief. After intense thought, I have decided I can no longer bear this disgrace.

Ways of behaviour common to almost everybody – including the very same magistrates, even those in Milan – have become criminal.

Some of us have been caught and exposed to public pillory and anger. The heavy hand of the law, unbalanced and unjust, has done the rest. We are treated like non-persons, like dogs in kennels.

I have been here for over four months, illegally detained. There is no risk of me repeating anything I am accused of; nor is there any risk of me tampering with evidence relating to these accusations since I possess no powers of decision or action, neither am I going to alter any document since I have none.

As for me leaving the country, I have no passport or identity card. On top of this I am 67 years old and the law lays down that to be kept in such degrading conditions there have to be exceptional circumstances.

But as you are aware the motives for this pitiless treatment are different and the magistrates themselves repeatedly say so, even though this never is placed on the formal record (of the interrogations) as it should be.

The magistrates' aim, and in particular those in Milan, is to force each one of us to make an irrevocable break with what they call our "world" (the corrupt politico-economic system).

Each one of us, already compromised in the public eye for being under investigation – or worse still arrested – is expected to "collaborate". Such "collaboration" involves betrayals and denunciations and one ends up as they want you being classed as an "outcast".

I am convinced the magistrates regard prison as no more than a tool of the trade for psychological torture, regardless of peoples' lives being at stake.

As I have said we are like dogs in a kennel, and any public prosecutor can pick on us to show off to his colleagues that he can be tougher and smarter than the person who did the same thing a few days ago or a few hours back.

Even among them there are the same market forces of competition – with the difference that in this case they are playing with other people's skins.

In these circumstances I cannot accept any justice they hand out to me. They are destroying the very base of the rule of law and are moving on a path that leads towards authoritarianism.

I want no part of this.

Today the trials – and not only those in Milan – are tragic farces, with disproportionate sentences handed out by judges who scarce know the cases or who have fallen asleep during the sessions and then make up their minds in five minutes behind closed doors.

The few of us who have fallen into the hands of this system of "justice" risk becoming the scapegoats in the national tragedy being created by this revolution.

I am convinced however I must reject such a scapegoat role.

I feel above all else a husband and father, then a committed and honest worker who has sought to enhance a little our name: someone who has contributed his tiny part in advancing the cause of this country in the world. I won't let this be sullied by anyone involved in the "clean hands" (corruption enquiry). I ask this of you as I seek your forgiveness for this farewell that is final.

GOVERNMENT INVESTIGATES POSSIBLE ABUSES

THE Italian government has begun an inquiry into whether Milan magistrates had behaved correctly in denying Mr Cagliari bail on five occasions and keeping him in prison for 133 days, writes Robert Graham.

Mr Cagliari was found dead in his Milan prison cell on Tuesday. An autopsy carried out yesterday confirmed he had committed suicide.

A formal announcement on the cause of death must wait 60 days; but officials said after the brief autopsy carried out in the presence of one of the Milan magistrates that Mr Cagliari had taken his life. The Milan magistrates themselves, clearly shaken by the suicide, were reported to be keen to have the inquiry – convinced they will be vindicated. This was the ninth suicide among those under investigation in the nationwide corruptions scandals.

Mr Cagliari had been arrested on March 9 on charges of corruption, falsifying accounts and illicit financing of political parties and two other sets of similar charges were subsequently pressed relating to ENI. He admitted ENI had been used for illicit funding of political parties but refused to incriminate friends and colleagues. Press comment yesterday highlighted Mr Cagliari's suicide as a gesture of protest. "It is appalling that in a civilised country one chooses to speak out using such a gesture," commented La Stampa. Suicide in prison, the paper said, is a terrible gesture when it derives "not from desperation but a rational decision".

Swedish companies look overseas for salvation

Hugh Carnegy examines Gustavsberg's response to recession at home and internationally-high production costs

THE name Gustavsberg may not have the international resonance of Volvo, Electrolux or Ericsson, but within Sweden it has been a leading brand name for more than 150 years. It is a rare Swede who has not drunk from coffee cups adorned with its anchor symbol, washed in its basins and baths – or sat on a Gustavsberg loo.

The company is not just famous for its products; it has a long history on the forested island of Värmdö, off Stockholm, and is noted for its very Swedish tradition of looking after its workers.

But as with much else in Sweden's struggling economy, things have changed radically at Gustavsberg as the young chief executive battles to keep the company competitive.

Like many medium to large Swedish companies it increasingly finds that the joint pressures of recession at home and internationally-high production costs force it to cut domestic production and look overseas for survival.

Mr Lennart Evrell, chief executive at Gustavsberg, explains the strategy: "Since 1990 we have sold and left different business areas in Scandinavia where we thought we were not going to be able to keep an internationally-competitive position. Then we have acquired companies outside Sweden in areas in which we want to be."

The result at Gustavsberg has been a transformation of the company's traditional profile as a domestically-oriented producer. The process began in the late 1980s with the shedding of a number of companies to establish a core of four divisions – pipes, taps, sanitary ware and baths and showers.

Among the units sold off in 1987 was the china tableware factory that dated back to 1825 and which symbolised Gustavsberg to many people. It is now owned by a Finnish company which will end all production on Värmdö this year.

In 1990 Gustavsberg made a strategic leap by buying Koralle, a German manufacturer of shower cubicles, making it Europe's second biggest shower box maker.

But recovery was still far off, prompting KF, the big co-operative conglomerate which owns Gustavsberg, to bring in Mr Evrell from the engineering group Atlas Copco.

He has pushed on with the restructuring. He has closed Gustavsberg's factory making pipe lengths – no advantage of scale for a Swedish producer – and concentrated on joints and bends where more added value can be achieved. A plant making steel baths has shut with production shifted to a German associate – a decision made more expensive by the devaluation of the Swedish krona last autumn, but one which still makes long-term sense, Mr Evrell insists.

The result has been dramatic. Overall sales have dipped only marginally to SKr1.35bn (£113.4m) last year. But operating profit in the first four months of 1993 reached SKr23m, compared with SKr2.2m in the whole of 1991.

Most striking of all, two thirds of sales are now outside Sweden, compared with just one third in 1990. Where once there were around 2,000 employees in Sweden, there are now only 600, out of the total group workforce of 1,300. Out of 20 companies in the Gustavsberg group, 13 are outside Sweden.

Mr Evrell intends to continue the trend and he says it is one that most Swedish companies are following. He stresses, too, that a company like Gustavsberg does not solve its problems by shifting abroad. With Europe in recession, the danger is that a company buys itself on to a higher profits base – but one where the line is still pointing down.

Sweden is looking next year to exports - or internationally-based companies - to restore some growth to the economy. But the example of Gustavsberg suggests that it will be slow going - and that it will do little to help bring about a turnround in unemployment at home.

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In Belgrade now, only the mint works

THE SIGNS in Belgrade's supermarkets warn: "Caution, prices are one thousand times higher than marked."

After more than two years of footing the bill for wars in neighbouring Croatia and Bosnia and 13 months of United Nations sanctions, the Serbian economy has reached a new low.

"Even God almighty could not help turn the economy around," says Mr Ljubomir Madjar, a Belgrade University economics professor.

It will get worse. However, analysts are divided over whether the Serbian people are close to the point where they will turn against their government and demand an end to its support for what the rest of the world regards as Serb aggression in Bosnia.

Laura Silber on a sanctions-wracked economy with inflation nearing 700% a month

The dinar, the Yugoslav national currency, is collapsing by the hour. The 5m dinar note, the highest denomination, is worth about 50 German pfennings. New denominations of 10m and 50m dinar will be issued on Monday. The D-mark yesterday was valued at about 21m dinars for bank giro transactions.

In a speech recently to government officials, Mr Vojislav Tomic, director of the state treasury, said: "The country is in the most difficult situation in its history ... the mint is working on three shifts printing bills non-stop, but there is still not enough cash."

Cashiers and accountants throw up their hands in despair, hard-pressed to keep track of the astronomical figures, often in the thousands of millions:

- Inflation in June was 366.7 per cent. Economists this month estimate that prices are rising at about 12 per cent a day, a monthly rate of 690 per cent.
- Industrial output fell by 41.9 per cent in the first five months of this year. This followed a 21.4 per cent drop in 1992.
- Gross national product per head has shrunk from $3,060 in 1989 to $350.
- Serbia currently allocates 20 per cent of its shrinking GNP in aid to Serbs in Croatia and Bosnia, although economists believe the real figure is closer to 40 per cent.
- Some 60 to 70 per cent of Serbs live below the poverty level. A typical basket of consumer goods costs $60, but the average monthly salary is half that, says Mr Miroljub Labus, a Belgrade University economics professor and opposition deputy in the federal parliament.
- Electricity prices have been raised 512 per cent this month alone.
- More than half of Serbia's factories have temporarily closed; some economists say the rest may shut this autumn.

The government of what remains of Yugoslavia this month minted an estimated 400,000bn dinars to purchase summer wheat. But farmers, most of whom immediately converted sackloads of dinars into hard currency on the black market, still lost on the transaction. Many have refused to sell their crops as a result and there will be shortages this winter.

In Serbia's fertile northern province of Vojvodina, private bakers say they are going on "holiday" rather than accept the miserable government price controls for bread.

Government-imposed controls, rather than the sanctions, appear to have given rise to chronic shortages of flour, milk and cooking oil.

As bad as it looks, however, Serbs tend to compare themselves with their neighbours who, in a state of war, are even worse off.

"The scenes on television of destruction and death acts as a warning not to react in protest against the situation," Mr Tomislav Popovic, a Belgrade economist has said.

Serbia, under President Slobodan Milosevic, blames the mess on the sanctions, channelling popular anger towards the west. In the state-controlled press, sanctions are mentioned only in concert with the word "unjust".

Most Serbs see the sanctions, including an oil embargo, as incomprehensible. They believe Serbs are fighting a war of self-defence.

For example, western newspapers yesterday reported how Serb forces had launched an offensive on Mount Igman near Sarajevo, while Serbian state-controlled newspapers reported that the Moslems were continuing their fierce offensive.

Meanwhile, smuggling and speculation have to some extent made up for the emptying store shelves.

Most city dwellers appear to survive by living off their country cousins. "People at the market simply hang around waiting for their relatives to finish the work day. They know that their cousins, no matter how distant, will give them what's left," says one pensioner.

In the last few weeks, discontent has led to employees staging widespread industrial action, including rail workers from Montenegro, air traffic controllers from Belgrade and car workers from the giant Zastava car plant in Kragujevac and its small arms division.

Mr Madjar says: "The sanctions are like a time bomb. The reserves will run out. Then the factories will stop one by one..."

George Graham watches the mighty Mississippi and the little River des Peres

Small streams bring big floods

DOWNTOWN St Louis remains safe and dry behind its massive floodwall, but the city's southern fringes have begun to suffer in earnest after weeks of relentless rain.

With the ground waterlogged and drainage streams already filled to overflowing, every new thunderstorm sends the Missouri and Mississippi rivers ever higher to set new flood records.

But although the Mississippi reached a new crest yesterday at 47 feet, it remained 5 feet below the lip of the city floodwall.

It was a much smaller stream, the River des Peres, which took its revenge on south St Louis, backing up to submerge newly-built homes down on the flood plain and even older houses that survived the floods of 1973 unscathed.

The River des Peres is a drainage ditch built by President Franklin Roosevelt's Works Progress Administration in the 1930s, but the rising Mississippi had reversed its flow, driving it upstream. Two inches of rain on Tuesday evening swelled it even further and swept away hundreds of yards of sandbag levees that had held back its sewage-laden waters.

"This is much worse than 1973. It flooded right enough, but not like this," said Mr Mike Coric, a printer who came to the US as a refugee from Croatia 28 years ago.

Fifty yards downhill from Mr Coric's house, Hannover Street disappears into a sullen, brown lake, its surface disturbed only by the water spilling vainly from a handful of pumps.

A sign reading "Sightseers get out" stands guard at the water's edge.

"Those houses down there were all built in the last 10 years. People knew they were on the flood plain, but I guess the city ran out of land," Mr Coric observed.

A few miles away, Mr Don Rutledge yesterday began taking down the sandbag wall he had built around his antiques business. After a week without electricity, his concern now is to dry out his sodden basement, but he fears the task will be a long one.

"Most everybody got water in their basements. When you pump it out of the basement it goes into the sewers, and with the sewers all backed up, it just goes back into your basement," Mr Rutledge said.

Forecasters have had difficulty predicting when the Mississippi will crest because the basin is so full of water. But water levels are now expected to start falling, although the need to release water from swollen containment reservoirs will slow the fall.

However, the weather system which has caused this year's heavy flooding remains stubbornly static over the Midwest.

Hot moist air from the south-east continues to meet a cold front over the Mississippi basin and the rain will not let up until this weather system has moved along.

Federal money is expected to start flowing quickly. The House of Representatives was due to vote yesterday on an emergency aid bill whose total has already risen in a week from $2.48bn to $2.98bn, and may climb even higher before it has passed both chambers of Congress.

Around $1.15bn of the emergency money will be directed to farmers, with $815m more going to the Federal Emergency Management Agency. Money will also be provided to allow the Army Corps of Engineers to repair levees, locks and dams along the river.

Boys play in floodwaters in the streets of Portage Des Sioux, Missouri AP

Banking proposals go to US Congress

By Nancy Dunne in Washington

THE Clinton administration yesterday sent its community banking proposals to Congress, asking lawmakers for $382m funding over the next four years.

The proposed Community Development Banking and Financing Institutions Fund is the administration's main programme for urban and rural aid.

Mr Lloyd Bentsen, Treasury secretary, told the House banking committee "distressed" communities needed a sustained and comprehensive financing mechanism to gain entry into "mainstream America" in a manner "devoid of long-term subsidy".

The fund will lend money to community development financial institutions, such as credit unions and neighbourhood banks, most of which must provide matching money. It may lend up to $5m per application to any insured local financing group, and up to $2m for uninsured institutions.

Assistance from the fund may be used to develop or support commercial and community facilities that produce jobs; create or expand businesses; provide basic financial services to poor people; provide mortgage aid to the poor; and finance low-income housing. It may also provide technical assistance grants.

Congressman Henry Gonzalez, chairman of the committee, said that although the proposal was "a step in the right direction... it is not the elixir for our nation's dying communities." He said many areas could not even absorb credit because they had so many unemployed and so few jobs.

"Enacting this bill does not excuse the federal government from implementing a more comprehensive urban policy that addresses the lack of housing, health care, educational and economic opportunities and the prevalence of crime, drugs and violence," he said.

The American Bankers Association also saw the funding request as only "a good starting point". It wants commercial banks brought into the programme to provide "a huge pool of capital for community development".

As the administration's proposal now stands, only institutions "principally engaged" in community development lending would qualify.

Mr William Braodon Jr, president of the association, said banks, which can muster vast financial and human resources, ought to be brought into the scheme. "Every dollar of capital can support $8 to $12 in new loans," he said.

Riot report raps Dinkins

By Martin Dickson in New York

THE chances of Mr David Dinkins gaining re-election as mayor of New York this autumn have been hit by the publication of a report which strongly criticises his handling of four days of violent disturbances in the city in 1991.

The report was drawn up for New York's Democratic Governor Mario Cuomo. It blames Mr Dinkins, also a Democrat, for failing to act decisively enough to prevent disturbances in the Crown Heights area of Brooklyn from escalating into four days of violent confrontation between blacks and Jews. The report calls it "the most extensive racial unrest in New York City in over 20 years".

The report will provide ammunition for Mr Rudolph Giuliani, the Republican candidate in the November 2 election, who lost the 1989 race to Mr Dinkins by only 2 percentage points.

Crown Heights is a touchstone for two of the most important issues: allegations that Mr Dinkins is an indecisive leader, and the need for the city's mayor to ameliorate New York's perpetual racial tensions.

Mr Dinkins won the 1989 poll with an estimated 35 per cent of Jewish votes, and the report could erode his standing among this important electoral bloc.

His support among Hispanics may also have been weakened by the decision in May of Mr Herman Badillo, the community's Democratic elder statesman, to join the Giuliani ticket and run as the city's financial comptroller.

The Crown Heights trouble was sparked off when an car driven by a Hasidic Jew went out of control and killed a seven-year-old black child. In the ensuing disturbances, a Hasidic scholar was engulfed by a black mob and stabbed to death.

The report, overseen by the state's director of criminal justice, Mr Richard Girgenti, rejects allegations that Mr Dinkins had instructed police to let black youths "vent" their anger after the child's death.

But it found the mayor slow to appreciate the scale of the violence taking place in Crown Heights, a lack of effective co-ordination in the City Hall command structure, and a "leadership vacuum" at the highest level of the police department.

Clinton aide in apparent suicide

By Nancy Dunne

PRESIDENT Bill Clinton has lost a friend and political ally with the death of Mr Vincent Foster Jr, who apparently took his own life six months after coming to Washington from Arkansas to work as deputy counsel in the White House.

Administration officials were stunned by the death of Mr Foster, who was found shot dead in a McLean, Virginia, park.

The only immediate explanation offered was depression over the barrage of negative publicity surrounding the firing of seven employees from the White House travel office on charges of mismanagement.

In the fall-out, the White House stood accused of a wide range of political misdemeanours including cronyism, abuse of power and an attempt to misuse the FBI. The counsel's office was criticised for failing to contain the incident. Mr Foster kept Mrs Hillary Rodham Clinton informed about the alleged mismanagement of the travel office.

Ms Clinton and Mr Foster had been partners at the Rose law firm in Little Rock, Arkansas, before Mr Clinton's election. His death is a reminder that in many administrations, people come to Washington with high hopes and leave frustrated after the exposure to the national media and the close scrutiny that come with serving the president.

Russian truck maker plans modernisation

By John Lloyd in Moscow

KAMAZ, Ruasia's main supplier of trucks, haa embarked on a modernisation programme to boost its competitiveness in the world truck market, according to Mr Nikolai Bekh, the company's general director.

The programme will include the purchase of up to 100,000 truck engines from foreign companies to make up for a shortfall following a fire at the company's main engine plant in April. The 230,000 engine-a-year capacity plant, in the city of Naberezhnie Chelnyin in the Russian republic of Tatarstan, was destroyed, with damage estimated up to $1bn.

Mr Bekh said the fire, which wrecked not just the plant but also Kamaz's plan to increase production by 25 per cent, did allow the management to start from scratch in developing a new strategy for the truck business.

A new plant is now being built at a cost of $150m plus Rbs20bn; it will produce 100,000 engines a year and should be completed by the end of 1993. However, up to 100,000 engines must be imported to produce the new trucks for which there is now an enormous pent-up demand.

Mr Bekh denied a story in a Moscow newapaper yesterday that a deal was about to be signed with Mercedes for the supply of 25,000 engines at a cost of $300m. "It's only a proposal," he said.

Mr Bekh said the average cost of a truck engine made in the west was too high and made the ontright purchase of such a large number impossible for the company. However, he has proposed three possibilities for solving the problems.

First, the government would itself buy 25,000 engines abroad, which Kamaz would then put into the trucks which have been made but await engines.

Second, the government could sell oil to Kamaz at domestic prices, and let the company sell it abroad at world prices, using the difference to buy engines.

Third, the government could sell hard currency to Kamaz at one tenth of the present market rate – just over Rbs1,000 to the dollar.

Mr Bekh, one of the most prominent of Russia's younger industrialists, said the new strategy now being pushed through at his entarprises would result in the production of trucks "of a world class". In collaboration with a group of foreign companies, including the long-time associates Cummins Engines and Rockwell International, the company is revamping the chassis, braking systems and cab design of the ageing models still being produced.

Medellín looks for a change of image

Business and local government are joining forces to rescue the city from the shadow of drugs, reports Sarita Kendall

AFTER years of being known as the world's cocaine capital, Medellín is trying for a change of image.

Business has joined local government and some 400 non-government organisations to try to pull the community out of drug-related social disintegration and violence.

Some 30,000 young people have been murdered over the last decade, according to Medellín's former mayor, Mr Omar Florez, but tensions have eased considerably since the last big bomb in January and there are signs that a few factions of the neighbourhood militia groups are prepared to disarm. Rumours of another "imminent" surrender by trafficking chief Pablo Escobar circulate constantly, reflecting the assumption that he has lost so much of his support structure that he cannot evade capture indefinitely.

An anti-drug campaign has been launched with the slogan "Medellín, world prevention capital". But there is so much more to Medellín than drugs, gunmen and Pablo Escobar that the slogan does it no justice.

Located in a deep valley at the heart of the rich agricultural and mining region of Antioquia, Medellín became Colombia's leading textile centre early this century. Migrants flooded in from the countryside, yet somehow public services kept pace with the poor communities stretching up dangerously steep hillsides, and more than 95 per cent of the city's 1.8m inhabitants have water, electricity and sewerage.

Antioquia's textile industry was thoroughly modernised during the 1980s, and clothing is the country's top manufacturing export. Although Medellín businessmen agree that it was essential to open up the economy, they criticise the government's inability to control cheap, cocaine-funded contraband and the lack of a coherent import policy – textile and tobacco industries are having a particularly rough time, which could push unemployment up again.

"The image of Medellín abroad is such that foreign investors don't even come here – but we do need foreign capital to bring in new technology. The next phase of industrial development will have to be in electronics, services. Our regional companies have been very closed against outsiders to protect themselves from drug trafficking money. Now we'll have to look outwards," says Mr Juan Guillermo Jaramillo of the ProAntioquia group.

Employment and education are usually singled out as the key factors in the violence equation. "Secondary school places have been increased by 10,000 but another 40,000 are still needed, as well as technical equipment, libraries, laboratories... We have to provide training opportunities at the same time so school leavers can get jobs," says Mr Jorge Orlando Melo, the presidency's special counsellor for Medellín. "There have been a lot of small-scale projects and people feel the municipality is doing something, relations with the authorities have improved – people are animated and involved."

A year after his escape from jail, drugs cartel leader Mr Pablo Escobar is still on the loose, probably hidden by loyal followers in the Medellín area. The government has spent over $13m hunting for him and his henchmen, making 12,000 raids and searches and arresting 1,400 people, Sarita Kendall writes.

A newly fortified jail houses 25 of the most wanted gunmen and traffickers captured or re-captured over the last year. On several occasions Mr Escobar has apparently been close to surrendering. For nine months he responded to the chase by planting massive car bombs in Bogotá and Medellín. But the police claim to have broken up the bombing groups and have seized seven tonnes of dynamite as well as hundreds of weapons.

Heads have rolled for his escape – four generals, three colonels, 11 other officers, 36 guards and soldiers and the former vice minister of justice have all been charged in connection with the breakout.

But as President César Gaviria comes up to the last year of his presidency, Mr Escobar's escape and continued liberty remains the biggest embarrassment of his administration.

High on the mountainside above the centre, trucks grind up through the neighbourhood of La Primavera with passengers perched on the bumpers – the uphill fare is 250 pesos (32 cents) and the fare down only 150 pesos. A United Nations-backed social programme aims to help this and other substandard neighbourhoods by strengthening community organisations, improving housing and consolidating infrastructure, especially schools, recreation facilities and roads.

A soldier stands guard in downtown Medellín Reuter

The densely packed small brick houses have to be shored up with stone walls because of geological instability. In 1987 more than 400 people were killed in a mud avalanche a few hundred metres from La Primavera.

Many of the city's hillside communities are reached by stairways rather than streets, and rubbish-filled gullies complicate communications. A small open-air theatre is being built under one bridge with British funding; already the gully looks different, as locals smarten their houses and prepare cultural events.

Great hopes are fixed on the Metro, which, after long delays and financing hiccups, is due to start operating in 1995. It is forcing a complete re-think of Medellín's transport system, as well as creating opportunities for land use changes and new developments clustered around stations.

In the meantime, though, street sellers, thieves and rubbish recyclers mill under elevated sections in the city centre and buses clog the streets.

Medellín had one of the first development plans in the continent and the local administration is considered unusually efficient and honest. In order to decentralise and encourage community participation, the municipal government is building up a network of subcentres where services and taxes can be paid, documents processed and legal advice sought.

Industry has already begun to decentralise and the Metro will speed the process by pushing up land values along the central corridor. New plants and flower farms have sprouted in the upland valley near the airport but one of the city's limitations is its poor road connections to Bogotá and the Atlantic and Pacific ports.

Some Antioqueños joke that cocaine trafficking is just another aspect of the region's much-vaunted pioneering spirit and money ethic. Others, such as Mr Jaramillo, recognise that a crisis had been looming for some time, and drug trafficking was simply the "detonator".

Although the economy of Antioquia grew faster than the national average last year, three top export earners – coffee, bananas and gold – are seriously affected by world price and quota problems. Medellín's industry is also highly concentrated and unemployment cycles tend to be relatively deep and stubborn.

But Mr Jaramillo undoubtedly reflects regional spunk when he says: "We're not resigned here – new paths are always opening up."

UN will not ease sanctions against Iraq

By Michael Littlejohns at the UN, in New York

THE United Nations Security Council yesterday agreed that full-scale sanctions must remain in force against Iraq, regardless of reported progress on the issue of eliminating the country's weapons of mass destruction.

However, Britain's Sir David Hannay, the Council president, emphasised that the decision was not "judgmental" in advance of a report members were due to receive today from Mr Rolf Ekeus, a senior UN official. Mr Ekeus completed negotiations with Baghdad this week on a weapons inspection programme.

Iraq agreed to long-term monitoring after provoking a crisis by refusing the UN, only to see him back off surveillance cameras at two missile sites. The change in approach was related to an attempt by President Saddam Hussein to have sanctions lifted. The imposition of sanctions is reported to have caused serious shortages of food and medicines and fuelled soaring prices.

Sir David termed Mr Ekeus's success "extremely welcome" but he added that what the Council wanted from Iraq were "deeds not words".

Mr Saddam has a record of broken promises that have repeatedly brought Iraq into confrontation with the UN, only to see him back off under the threat of possible military action.

Talks between Iraq and the UN on a limited resumption of Iraqi oil exports remained suspended last night as officials still awaited an announcement by Baghdad on the return of its negotiating team to New York.

Sir David Hannay made it clear in remarks to reporters that an eventual deal would not result in the automatic release of $1.6bn worth of Iraqi oil approved by the Council nearly two years ago. This would require a new resolution on the basis of a report by Mr Boutros Boutros Ghali, the secretary-general, and a determination whether Iraq had complied with all relevant conditions.

Much of the proceeds of the proposed limited sale, which would continue for six months and involve about 550,000 b/d, would be spent on food, medicines and other humanitarian needs.

Although both the UN and the Iraqis have been tight-lipped about the negotiations, it is widely believed that UN monitoring may be an obstacle for Baghdad.

● Mr Douglas Hurd, UK foreign secretary, yesterday promised British support for a new international campaign to free Kuwaitis still held in Iraq after the Gulf war and warned Baghdad the west had not ruled out the use of force, Reuter adds from London.

He said Iraq's "persistent failure" to account for missing Kuwaitis and other nationals held since the 1991 Gulf war to eject Iraq from Kuwait would be raised at the UN Security Council review of sanctions.

LDP rival factions start to move in for the kill

By Robert Thomson in Tokyo

RIVAL faction leaders are circling above Mr Kiichi Miyazawa, the Japanese prime minister, who is supposed to resign at a meeting today of his Liberal Democratic party to take responsibility for its loss of a parliamentary majority.

The rush to replace Mr Miyazawa, who has refused to admit that he will resign, became particularly unseemly yesterday, as the ailing Mr Michio Watanabe, the foreign minister, announced that he would "stake my life" on leading the party and the country.

His comment had eerie overtones, as Mr Watanabe, whose health has clearly deteriorated in recent months, was hospitalised twice in the past year, once for a "gallstone" problem and again for a "cold".

He is widely reported to be suffering a far more serious illness.

The bickering among the LDP's five factions suggests that the party does not realise that it has lost its grip on power and must find a coalition partner to ensure that its candidate for prime minister is chosen at an extraordinary session of parliament early next month.

Mr Hiroshi Mitsuzuka, the head of the party's largest faction, also wants to be the next leader, although both be and Mr Watanabe have opposed the reform of the political system and are likely to be unacceptable to most of the LDP's potential coalition partners.

Newer parties such as the Japan New party and the Japan Renewal party, itself a former LDP faction, will face criticism from members if a deal is done with an old-style LDP faction head.

A more acceptable candidate would be Mr Toshiki Kaifu, who was dumped by the LDP as prime minister two years ago after proposing political reforms similar to those now being debated.

An opinion poll conducted by Jiji, the Japanese news agency, found that 19 per cent of respondents preferred Mr Kaifu as the oext prime minister, topping the 12.7 per cent of Mr Tsutomu Hata, the JRP leader, and the 9 per cent of Mr Ryutaro Hashimoto, the former finance minister.

However, Mr Mitsuzuka was thought a "desirable" prime minister by only 0.2 per cent of those surveyed, and the outspoken Mr Watanabe did a little better at 1.6 per cent.

Apart from his health problems, Mr Watanabe is generally viewed as too erratic to be prime minister.

Associated Press

Police yesterday prepare to raid the Hyundai Precision Industry plant in Changwoo city where 400 workers had barricaded themselves in the factory for three days

Accord reached in Hyundai dispute

By John Burton in Seoul

LABOUR and managemeot at Hyundai Motor reached a tentative wage accord at dawn yesterday as several thousand riot police gathered outside the company's plant ready to suppress a month-long strike.

The 11th-hour agreement, which is expected to be approved by the 20,000-member workforce tomorrow, is seen as breaking the back of the labour dispute that has disrupted South Korea's largest industrial group. Hyundai Motor is the biggest of the nine Hyundai companies now engaged in some form of industrial action.

The government on Tuesday ordered that Hyundai Motor workers immediately suspend their action or face a confrontion with 10,000 riot police deployed to the car facility in the southeastern city of Ulsan.

With the government's threat to use force, labour and management quickly reached a compromise settlement. The company trade union agreed to accept a 4.73 wage increase instead of the 16.5 pay rise it had been seeking.

In return, the company increased fringe benefits, including special allowances, higher bonuses, and housing subsidies, while offering more holidays.

Meanwhile, 1,000 police conducted a raid on the facilities of Hyundai Precision & Industry in Changwon to oust 400 workers who had barricaded themselves inside the plant for the past three days.

The government said the raid was justified because the company is a defence contractor, whose employees are forbidden by law lo strike.

Although the new civilian government of Mr Kim Young-sam has promised to improve labour relations, it said its use of emergency powers to end the strike was necessary because the dispute threatened national economic recovery. The dispute has reduced CNP growth by 0.17 per cent and cut exports by 0.32 per cent for 1993, according to the Bank of Korea, the central bank.

Hyundai estimates sales losses at Hyundai Motor, the country's leading motor vehicle maker, amount to Won390bn (£325m), followed by Won78bn at Hyundai Precision & Industry and Won69bn at Hyundai Heavy Industries, its shipbuilding unit.

Nigerian poll talks boycotted

PRESIDENT Ibrahim Babangida's plan to re-run Nigeria's presidential elections on August 14 was set back yesterday when the Social Democratic party boycotted a meeting called to arrange the poll, writes Paul Adams in Lagos.

The SDP decision comes as the rift widens between the military government and an increasingly critical judicial system and the press. General Babangida this week banned recourse to the law courts by opponents and threatened more curbs on press freedom. There is increasingly bold criticism of the annulment of the June elections by elder statesmen and active politicians of both parties, and detailed press reporting of divisions and indecision within the ruling military hierarchy.

Yesterday's meeting bad been called by the National Electoral Commission (NEC) under a new chairman, Professor Edet Uya, responsible for organising fresh elections. So far only one party is prepared to take part, the National Republican Convention (NRC), which claims its poor showing in June was because the polls were flawed and accuses the SDP of using illegal tactics.

The SDP candidate, Mr Moshood Abiola, who had a clear lead when counting was stopped, says fresh elections are unjustified. Mr Abiola has taken the government to the high court in Lagos to restrain it from bolding fresh elections, and applied to the Supreme Court to overrule the annulment of the 12th June polls.

However, one of the four recent military decrees seems to have deprived Mr Abiola of legal recourse by depriving the courts of jurisdictioo in suits challenging the poll annulment.

Critics of the government say the new timetable is impracticable and the SDP has warned that any attempt to hold elections in Lagos and other big cities of the south-west, heartland of Mr Abiola's support, will lead to violence.

Former head of state Olusegun Obasanjo and other retired civilian and military leaders have twice in the past week condemned President Babangida's manipulation of the electoral process, coupled with warnings of catastrophe for Nigeria if the government continues on this course.

Somalia aid goals at risk, warns UN official

MR Jan Eliasson, a senior United Nations relief official, complained yesterday that UN members were spending at least 10 times as much on their military operation in Somalia as they were on aid, Reuter reports from Geneva.

In a rare criticism of the UN operation by a high-ranking UN official, Mr Eliasson warned that the original aim of sending troops to Somalia – to protect aid – risked being forgotten.

Mr Eliasson, UN under-secretary-general for humanitarian affairs, told officials in Geneva that donor nations had given less than 15 per cent of the $166m (£110m) needed for relief and rehabilitation in Somalia this year. "As a comparison, approximately $1.5bo will he spent on military operations in Somalia over a period of 12 months," Mr Eliasson told the UN's economic and social council.

"In other words, due to the security needs, tbe international community is spending $10 on military protection for every dollar of voluntary humanitarian assistance in Somalia, even if the 1993 relief and rehabilitation programmes were to be fully funded."

Mr Eliasson added: "Unless sufficient funds are provided for rehabilitation activities, there is a risk that the military operation can be perceived as an end in itself, rather than as a means of ensuring security for rehabilitating the country's infrastructure and forging reconciliation."

Mr Eliasson's criticism follows complaints by Italy, which fields the third-largest contingent in the UN, of a lack of consultation by the organisation with those countries providing troops.

Violence pervades path of progress

Patti Waldmeir says western-style democracy may not solve South Africa's problems

THERE is a simple explanation for violence in South Africa: the African National Congress and the Inkatha Freedom party are fighting for power ahead of the first multi-racial elections, while the police either exacerbate or at least fail to halt the killing.

If only the truth could be as simple as the explanation.

For the real causes of violence are manifold and baffling, to insider and outsider alike, but certainly politics is only part of the problem.

Depending on the township, or hostel, or rural area where violence takes place, "the problem" can involve everything from a negligent or frightened police force, to right-wing provocation, from commercial rivalry over taxi routes to ethnic hostility.

At Port Shepstone, on Natal's palm-fringed Indian Ocean coast, where well over 200 people have died since South African politics were liberalised four years ago, the clasb involves two centuries, two generations, two forms of culture – every bit as much as the two standard political contestants, the ANC and Inkatha.

While the white town of Port Shepstone, 100km south of the port of Durban, looks like any other small rural town in the industrialised world, the hinterland is Africa: traditional Zulu chiefs rule by a strict tribal hierarchy inherited from the great Zulu kings of the 19th century – and the standard of living recalls the last century, as much as the political structure.

Everyone agrees that the trouble in Port Shepstone – which began with the 1989 killing of an "induna" or village beadman, by radical young men who challenged his authority – did not begin as a political conflict.

Armstrong Zondi, one of the angry young men involved in the 1989 violence, aays the flashpoint was the local induna's decision to levy a R36 annual charge on every youth over 16 – a crippling charge in an area with little youth employment, viewed as simple extortion by the local community which accused the induna of corruption.

Armstrong admits that the youths "necklaced" the induna

> The causes of violence are manifold, but politics is only part of the problem

(he burnt to death after having a flaming tyre placed over his head), causing the local "nkosi" (chief) to flee in terror. The community then elected a local council to replace the banished tribal authority.

Since then, the chief, Nkosi Ndwalani has fought back with a vengeance, returning to his seat with arms, and engaging in a conflict which has left scores dead on both sides: radical youth, exposed to more modern ideas of egalitarianism, have fought men like the chief, whose vested interests incline them to protect the traditions of an ancient culture.

Inevitably, the political parties have weighed into the battle, with the young "comrades" supporting the ANC (and receiving its backing), and their elders operating under the banner of the traditionalist Inkatha party (which controls the government of the KwaZuln black homeland, the authority which appoints the chiefs and pays their salaries).

The two sides called a truce late last year until the April assassination of ANC leader Chris Hani raised temperatures once again. Now the murders have started again.

Nkosi Ndwalani, holding court in his home atop a steep hill with fine sea views, says the problem is simple. "Where the people accept my role as tribal authority, there is peace." His indunas and councillors, who creep with hent head and servile gesture into his presence, assent quietly.

In the valley nearby, Armstrong says the ANC is not fighting the chiefs: "the chiefs stand for our customs and I don't think we should do away with our customs." But they must abandon their authoritarian ways and act democratically; they will lose most of their traditional powers and be left mainly as cultural figureheads (though ANC officials make the unlikely promise that an ANC government will pay them more for this role than they currently receive from KwaZulu).

This, like so many of South Africa's conflicts, is a battle which western-style democracy will find hard to resolve. As other African countries have discovered, tribal customs and values can become sources of tension if ignored or overridden by governments. It is a lesson which any new leader ignores at his peril.

Kenyans close bank in bid to placate donors

By Leslie Crawford in Nairobi

THE KENYAN government has closed down a scandal-tainted local bank, an important step towards mending relations with the World Bank and other donors.

Exchange Bank and its sister trading company Goldenberg International were at the centre of a scandal based on "ghost exports" of gold and diamond jewellery to Switzerland and Dubai.

By forging export receipts for more than $50m-worth of jewellery, Exchange Bank was able to bid for scarce foreign exchange at central bank auctions and obtain a 35 per cent refund from the government on its fictitious exports.

When Exchange Bank ran into trouble in May the Central Bank of Kenya bailed it out with an advance of Ks15bn ($192m) in short-term Treasury bills. To date there is no evidence that this has been repaid.

The scandal was one of the big issues worrying the World Bank and International Monetary Fund. IMF officials, who have visited Kenya four times in as many months, had insisted that action be taken to clean up the financial system as a pre-condition for resumption of balance of payments assistance, suspended in November 1991.

On Monday a short statement signed by Mr Musalia Mudavadi, finance minister, said Exchange Bank was being closed immediately following the results of an external audit into its operations.

"Its records are not in order and not kept up to date. Moreover, there is evidence of malpractice," Mr Mudavadi's statement said. "Its management has tended to engage in speculative activities which are not only inconsistent with established banking practices hut are prejudicial to the interests of depositors and the general public."

Four other financial institutions, dubbed "political banks" due to the patronage they enjoy from high-ranking members of government, are also being subjected to external audits at the request of the IMF.

The opposition FORD-Kenya party, which has led a campaign to expose the activities of the "political banks", yesterday welcomed Mr. Mudavadi's decision.

"Exchange Bank, along with a handful of other banks, threatened the fabric of Kenya's financial and economic infrastructure and are a major cause of our inflation problems," said Mr Robert Shaw, FORD-Kenya's economic spokesman.

Mr Shaw urged the government to arrest and charge the owners and directors of the bank with economic sabotage. He said government and central bank officials who aided Exchange Bank in its operations should be dismissed and prosecuted.

Mr Mudavadi, who took over the finance portfolio in January, has won the respect of foreign bankers in Nairobi for his efforts to clean up the banking system. Financial corruption lies at the heart of the political patronage enjoyed by leading members of President Daniel arap Moi's government, but foreign bankers question whether Mr Mudavadi has sufficient clout within government to force the sacking of corrupt officials.

Vice-President George Saitoti, the former finance minister, who is also minister for planning and development, last month defended the operations of Exchange Bank in parliament, saying he had approved them in compliance with the law.

NEWS IN BRIEF

Moves to cool China's economy slow HK growth

MOVES to damp economic activity in China will lop about 1 percentage point off Hong Kong's economic growth next year, Mr Hamish Macleod, the colony's financial secretary, said yesterday. Simon Holberton reports from Hong Kong.

He said he accepted predictions by private economic forecasters that the colony'a growth would be affected by the measures announced in China to deal with overheating. However, he stood by his March budget forecast of 5.5 per cent growth in gross domestic product for 1993. He would not make a 1994 prediction but most forecasters expect about 4.5 per cent.

Mubarak set for third term

President Hosni Mubarak of Egypt was last night nominated unopposed for a third six-year term as the country's leader, Mark Nicholson writes from Cairo.

The parliamentary vote was a formality as 98 per cent of the 454 elected members of the People'a Assembly have already sworn their support for his nomination.

His nomination must now be endorsed by a referendum in October, when he will need a simple majority of votes cast. This too is expected to be little more than a formality; he secured 97 per cent of the vote last time.

Floods spread in northern India

India's north-eastern states were cut off from the rest of the country yesterday as floods, which have caused the deaths of more than 500 people in the north and west, spread to new areas, Reuter reports from New Delhi.

United News of India agency said army and air force personnel were trying to restore railway links in the north-east, broken on Tuesday night after a railway bridge was washed away in West Bengal. The only highway linking Assam to Beogal and the Indian mainland was also under water, it said.

Pakistan denial over Chinese missiles

Pakistan denied yesterday it had received long-range M-11 missiles from China, which faces possible sanctions by the US for its weapons exports, Reuter reports from Islamabad. China has repeatedly denied the sale of M-11 missiles to Pakistan and yesterday told the US to stop making an issue of its weapons exports.

US officials said earlier in the week in Washington that the administration, which two months ago renewed favourable trade benefits for China, planned to warn Beijing it could face sanctions. They said the issue, involving mounting evidence that China was shipping M-11 missile technology to Pakistan, would be raised by Mr Warren Christopher, secretary of state, when he met the Chinese foreign minister, Mr Qian Qichen, on Sunday in Singapore.

Tajik rebel attack injures Russians

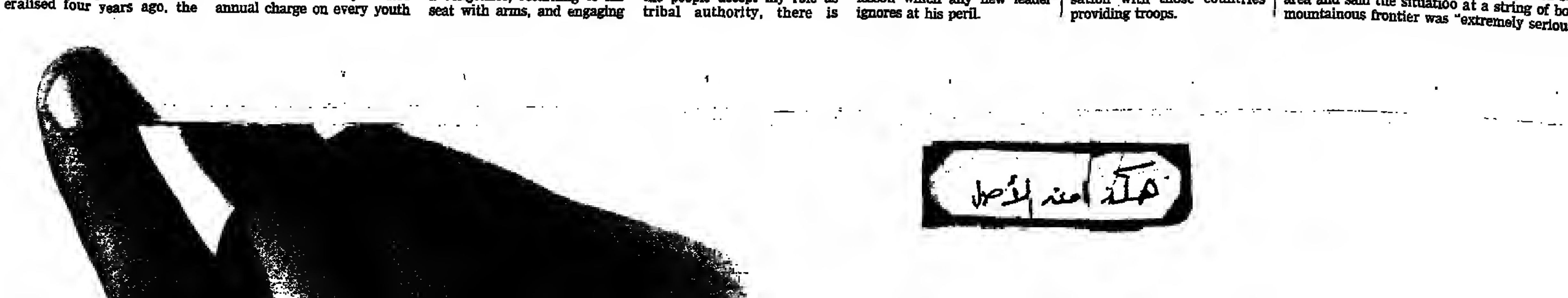
Rebels operating from Afghanistan shelled a border post in Tajikistan on Tuesday night, injuring at least two Russian soldiers, the commander of Russian troops in the former Soviet republic said yesterday, Reuter reports from Moscow.

He told local journalists that the rebels, who fled to Afghanistan last year after being defeated in a near civil war, had shelled the southern 10th border post.

The two injured men were serving with the Russian 201st motorised infantry division, which has been pressed into action lo help border guards and Tajik troops deal with the rebels.

Moscow reacted swiftly after a big rebel attack last week in which 25 border guards were killed, sending in troop reinforcements to the Central Asian republic and setting up a new command structure to help counter the attacks.

Russia's Itar-Tass news agency reported serious clashes in the area and said the situatioo at a string of border posts along the mountainous frontier was "extremely serious".



Paris to wheel out big trade guns for EC

By David Buchan in Paris

FRANCE is planning to present proposals before the end of this month which would give the European Community similar weapons against unfair trade to those of the US, a senior French official said yesterday.

The government of Mr Edouard Balladur is expected to finalise next week proposals aimed at making EC anti-dumping procedures "more rapid and automatic and less prone to political interference", while also broadening the Community's scope to take unilateral action against unfair trade practices.

They are likely to dispel any impression that France has "gone soft" on the Uruguay Round trade talks following its acquiescence in the June agreement between the EC and the US to set a limit on European oilseeds production and in this month's agreement among the G7 countries on tariff cuts to present to other Gatt partners in Geneva.

France also plans to make new farm trade proposals in early September in advance of the special joint council of EC foreign and farm ministers that it has requested. The government still hopes enough of its Community partners will realise that last November's Blair House agreement with the US needs renegotiating.

On French calculations, the deal would cut the EC share of world cereal exports from 15 to 8 per cent over six years. France also complains that Brussels has yet to make provision for imports of 2m extra tonnes of cereals and some 700,000 tonnes of meat which Washington claims the EC would have to take in as a result of the Blair House deal.

The thrust of the French plan to make Europe's "commercial defences" more like those of the US would:

● Set a strict timetable for the Commission to follow in receiving anti-dumping complaints, opening inquiries, and imposing provisional duties. The Commission would have less discretion to set aside, or delay, dumping investigations on political grounds as Paris complains it has done in the case of steel imports from eastern Europe.

● Give the Commission less discretion to end dumping investigations by accepting promises from exporters to raise their prices in the EC market.

● Remove the reference to Gatt procedures in the EC's 1984 legislation which effectively means the EC can only retaliate unilaterally against non-Gatt member countries. Without this clause the EC would have the equivalent of the US's retaliatory Section 301 at its disposal, Paris believes.

Japan snips at red tape on building supplies

JAPAN'S construction ministry is making it less difficult for foreign companies to enter the country's building materials market, an official told Reuter in Tokyo.

Complex quality controls have made builders reluctant to use foreign products in public works projects. They have had to check whether they cleared the Japanese Industrial Standard and then apply for ministry approval. Materials had to be checked at the construction site.

In future, contractors can entrust testing to two of the ministry's affiliated research and testing organisations. The two will then issue certificates to the contractors.

Joint venture hangs on lifting of embargo by Clinton administration

Coca-Cola signs $24m Vietnam deal

By Victor Mallet and William Barnes in Bangkok

COCA-COLA has struck a $24.5m (£16.3m) deal to produce soft drinks in Vietnam as soon as the US trade embargo is lifted, challenging its rival Pepsi-Cola in the struggle for a fast-developing market of nearly 70m people.

A contract to form a joint venture has been signed by Coca-Cola Indochina, a company comprising bottlers F&N Coca-Cola of Singapore and Thai Pure Drinks, and Chuong Duong Beverage Factory, a former Coca-Cola bottler now controlled by the ministry of light industry.

The money will be spent only if the Clinton administration lifts the embargo, which could happen before the end of the year. US companies are already allowed to sign – but not execute – Vietnamese contracts, and this month Washington stopped blocking Vietnam's attempts to borrow from the International Monetary Fund and other multilateral lenders.

Much of Coca-Cola's investment will go towards modernising Chuong Duong's factory in Ho Chi Minh City. More than 500m bottles of Coca-Cola a year were sold before the north's war with the US and its south Vietnamese allies.

Pepsi-Cola and its partner International Beverage Company, a combination of Singaporean investors and Vietnamese local government organisations, have already announced plans for a $10m investment in Vietnam.

Pepsi officials say they could start production at a modern Ho Chi Minh City factory within two weeks of the embargo being lifted; IBC already produces Cadbury Schweppes carbonated drinks at the plant.

Miss Vietnam, 17-year-old Ms Ha Kien Anh, is to feature in Pepsi television commercials that will be shot soon in Bangkok.

Pepsi has stolen a march on Coca-Cola in establishing bottling facilities in both Burma and Cambodia, but Coca-Cola is a better known name than Pepsi in much of south-east Asia, especially Vietnam.

Thousands of cases of canned Coca-Cola are smuggled into Vietnam and Cambodia from neighbouring countries.

Gatt to work for entry of Saudis

THE ruling council of the General Agreement on Tariffs and Trade yesterday agreed to work for early admission of Saudi Arabia as a full member after the kingdom's application won support from Middle East and Asian states, Reuter reports from Geneva.

The decision to set up a panel to study the Saudi request was taken at a session during which other Moslem countries argued that Saudi entry would help the organisation move towards its declared aimed of bringing in all the world's trading states.

The day-long meeting was expected to be dominated by a long-running dispute on banana imports into the European Community which has divided producer countries into rival blocs and split the EC itself.

The banana dispute, which sets African, Caribbean and Pacific (ACP) countries against Latin American states, was heightened last month when a Gatt panel found that EC policies on importing the fruit violated the world trade body's rules.

The EC favours imports from ACP countries, mainly former colonies or overseas territories of France and Britain, and sets quotas on supplies to its 12 member states from Central and South American states.

At a Gatt council meeting last month, the EC blocked adoption of the panel report, approval of which would in theory have obliged it to alter its legislation or seek a special waiver from Gatt.

But since then it has introduced new rules, imposing a tariff quota of 2m tonnes a year on non-ACP imports.

Correction

Intra-Asian trade

THE table accompanying the article on Intra-Asian trade on the World Trade page on July 20 should have shown values in $bn, not $m.

Few trade disputes are hard as steel

Nancy Dunne finds that one company's protection could be another's ruin

THE WORK stations in the factory's tool and die room are decorated with American flags. One also bears a slogan: "Don't mess with the USA. Defend firearms."

This apparent fount of US chauvinism produces millions of tiny steel motor vehicle fixtures a year, some so precise that they have a permissible error margin less than half the width of a human hair. The star of the shop's many production lines – a spark plug gasket – is judged so superior that it has captured nearly 100 per cent of the US market and 15 per cent of Europe's.

The shell of H K Metalcraft of Lodi, New Jersey, is as meticulously crafted as its products. It is cavernous, dazzlingly white with a single blue stripe like a belt around its middle.

Safety and quality awards hang in the factory's reception area along with a large photograph of its 52 beaming employees.

In the US there are thousands of small parts producers such as Metalcraft, employing some 6m-8m workers. Mr Raymond Hopp, the president, is one of those entrepreneurs President Bill Clinton wants to encourage with tax breaks, manufacturing centres and other government aid.

But Mr Hopp is discouraged and dreading next year when the imported steel he uses may be either unavailable or more expensive. He is one of the 1,200 members of the Precision Metal Association, which represents the US metal-forming industry and uses half the flat-rolled steel in the country.

Flat-rolled prices have been rising since the US Commerce Department last year began to investigate complaints from domestic steel producers that imports from 19 countries have been subsidised or dumped – sold at "less than fair market value".

If on July 27 the International Trade Commission of the US finds that the imports have damaged American steel companies, then tariffs of up to 109 per cent will be made permanent, and domestic prices will climb still higher.

Small steel users claim they employ more than 30 workers for every worker employed by the giant steel companies, whose job may be saved by the dumping and countervailing duties. But the small companies have little presence in Washington, where massive layoffs from the giant steel companies have attracted the most attention.

In an attempt to raise the profile of small companies such as Mr Hopp's, 1,400 small steel using companies have joined with steel traders of the American Institute for International Steel; Nucor Corporation, the successful mini-mill steel producer; and Rockwell International, the aircraft manufacturer, to form the Coalition of American Businesses for Stable Steel Supplies.

Mr Jon Jensen, the coalition spokesman, insists that steel imports are bought for quality rather than price and are, in fact, purchased at prices higher than those charged by domestic producers.

"Almost all imported steel purchased by PMA members is high precision product not manufactured by US steelmakers," he says.

He cites one example after another of companies injured by the steel tariffs: an east coast manufacturer of baseball cleats (grip studs under baseball shoes) forced to rely on lower quality American steel; a Midwestern maker of electric wares whose steel prices have risen 10 per cent; a California car parts manufacturer who says that the US steel he must buy to replace imports is often rusty on arrival.

Because he has contracts with a steel service centre, Mr Hopp has yet to suffer extensively from the new tariffs and duties but next year those contracts will expire. If imports are less accessible, his business could suffer. For one product he uses a high quality Japanese steel required by the customer – a Japanese "transplant" vehicle supplier.

For another he uses an imported high carbon steel, manufactured by only two companies in Europe. It too is specified by his customer, a domestic vehicle producer. And US car companies are now "fussy, intolerant of error because their customers are intolerant of poor quality".

He is sceptical about the dumping and countervailing duty regime, observing that every country subsidises in one form or another, and companies must adapt.

"The product that made 50 per cent of our business in 1974 makes up 2 per cent of our business today. We were making standard washers, and the Japanese put us out of business. Then the Koreans put them out of business, and the Taiwanese put them out of business and the People's Republic of China put them out of business.

"That was a low-tech item. We have had to develop products which require intellectual property. We have had to price the products aggressively. We have had to compete, stay up to date, and continuously adapt to new processes and conditions," says Mr Hopp.

The only way he can adapt to the tariffs, he says, is to lay off two or three workers. These are the good, high paying jobs Mr Clinton promises to create. Highly trained by the company, most Metalcraft workers can perform at least three jobs, when needed.

The average worker has been with the company for 10.5 years, receiving bonuses at the end of profitable years.

Mr Hopp believes that if steel prices continue to rise he will lose the European market share he struggled to gain over six years as well as some of his American customers. Sales last year were $8m (£5.3m) and could rise to $9.5m-$10m this year. Mr Hopp says be could add jobs if he were not "constrained in an artificial way".

US UNIT STEEL PRICES ($ per tonne)*

	1989	1990	1991	1992
Hot-rolled products				
Imports	424	373	356	344
Domestic sources	369	342	324	322
Cold-rolled products				
Imports	542	503	485	479
Domestic sources	485	470	456	450
Corrosion-resistant products				
Imports	680	686	643	756
Domestic sources	604	603	589	580

*Unit values   Source: ITC

Chancellor hails UK economic recovery

By Peter Norman and Emma Tucker

BRITAIN is experiencing an "all round recovery" Mr Kenneth Clarke, chancellor of the exchequer, said yesterday as new figures confirmed rising business activity among retailers and a narrowing trade gap.

Growth this year, however, would not suffice to cut the budget deficit as much as needed, Mr Clarke warned.

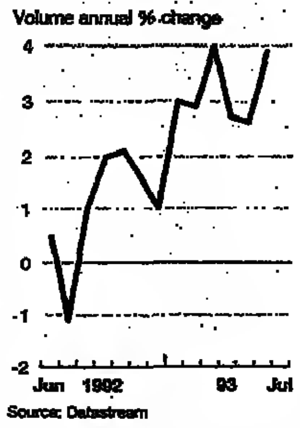
In a two hour session before the House of Commons Treasury and Civil Service Committee, Mr Clarke said the size of the deficit - estimated by the Treasury in March at £50bn in 1993-94 - was "the biggest single thing" that he had to tackle.

It would require "further government action". Unless the deficit was reduced, recovery would be constrained and it might be difficult to keep interest rates down, he said.

The chancellor's remarks were a clear indication that the government is considering raising taxes while limiting public expenditure in its first unified budget in November.

But although the chancellor yesterday disclosed that the Budget would be on November 30, he told the committee that he had not yet started to think about its specific contents. However, he said that it was a Conservative Party preference to have indirect taxation take a bigger share of the tax burden than direct taxes.

UK retail sales



Mr Clarke was careful not to sound euphoric about Britain's present economic performance, at one point describing the recovery aa "incipient". But his testimony to the committee, came at the end of a fortnight of favourable economic indicators and shortly before provisional figures due out tomorrow, which are expected to show good growth in gross domestic product in the second quarter.

Figures yesterday showing a surprisingly atrong jump in retail sales and strong export growth added to evidence that the UK recovery is not as vulnerable as initially expected.

Seasonally adjusted retail sales volumes rose 1.3 per cent in June to register a 3.9 per cent increase on the corresponding month last year, the Central Statistical Office reported.

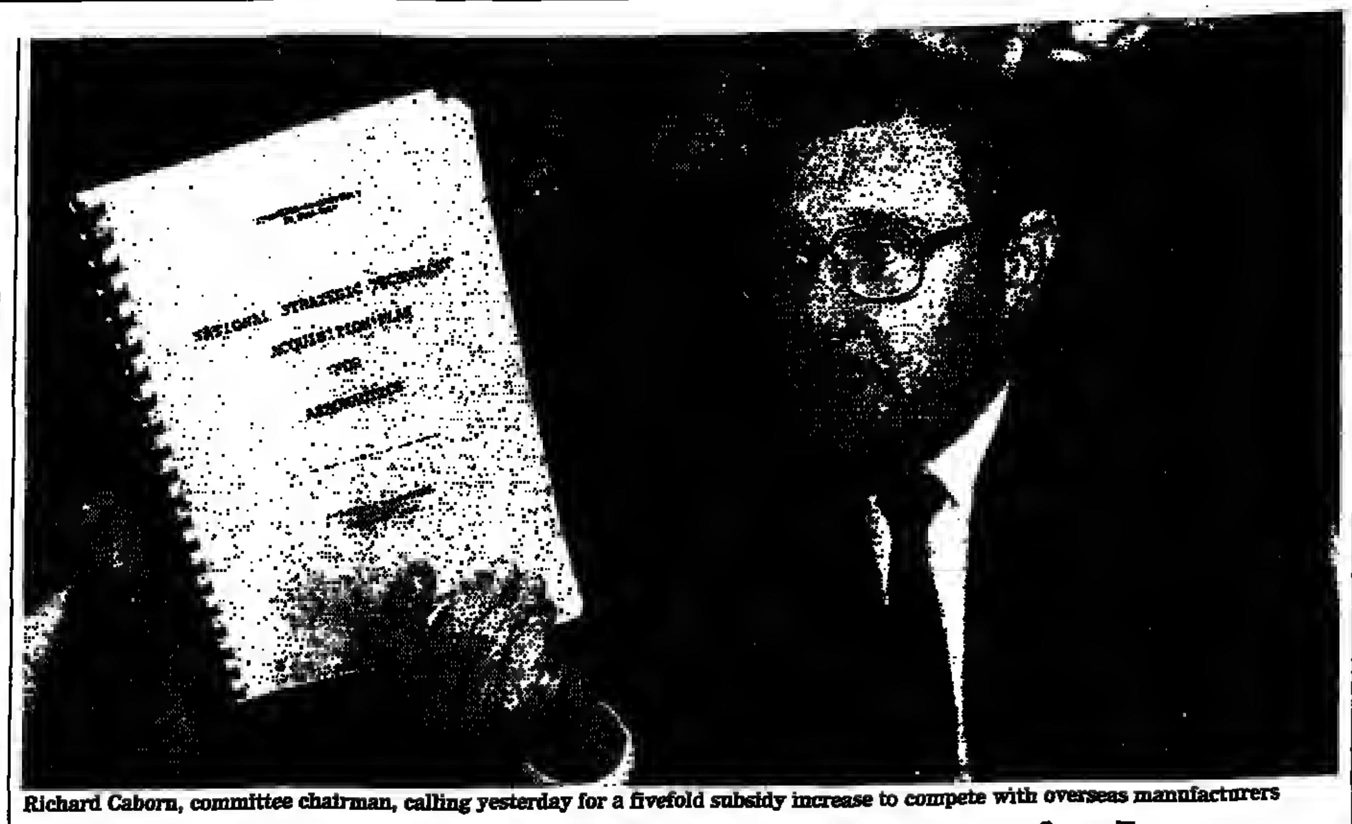
Other official figures showed that the value of exports to countries outside the European Community jumped to their highest ever levels last month, reducing the non-EC trade deficit to £613m, the narrowest since July 1991.

The figures added to sterling's strength with the pound closing ¾ of a pfennig higher against tha D-Mark at DM2.5725. Against the dollar it was more than a cent higher at $1.5145.

Several MPs on the committee asked Mr Clarke if he was worried that sterling's recent rise would hurt recovery. But the chancellor appeared unruffled. The pound's rise since ha took office had been "modest" and reflected "underlying economic reality" such as tha healthier performance of the economy, he said.

He denied he was seeking to push sterling higher to control inflation. Instead, he said he favoured a period of stability in European currencies, including the pound.

Yesterday's economic news failed to enthuse the stock market, partly because investors saw less chance of an early interest rate cut. The FTSE 100 share index dropped 9.8 to 2814.1 with dealers reporting that they were waiting for the good news on the economy to show-np in company results.



Richard Caborn, committee chairman, calling yesterday for a fivefold subsidy increase to compete with overseas manufacturers

State aid urged for aerospace industry

By Daniel Green

BRITAIN'S aerospace industry could suffer "irreversible damage" without more Government support, a cross-party committee of MPs said yesterday.

The Commons trade and industry committee said aerospace was falling victim to heavily subsidised competitors from other countries, and Mr Richard Caborn, its Labour chairman called on the government to multiply its aid to the sector five-fold to £100m.

The report said the UK's aerospace industry sales grew at 1.5 per cent a year between 1980 and 1991, less than half the rate of its main industrial rivals. France had overtaken the UK to occupy the number two position behind the US.

Without extra government help, "there is the possibility of a gradual loss of market share as its technologies are surpassed by competitors," the committee said.

The committee made 19 recommendations, including that the Department of Trade and Industry conduct a regular survey of the level of state aid for aerospace compared with support overseas.

Other recommendations include:

- that the DTI fund more prototype development.
- that the government consider providing launch aid guarantees and defer payback to help companies which develop products without launch aid.
- that the government and aerospace industry together compile a national technology acquisition plan for both military and civilian needs
- that parliament debate the MoD's proposed purchase of a US military transport aircraft, rather than a European alternative, to replace the RAF's Hercules.

The report also called for a study on how to assist conversion of defence resources to civil use.

The Society of British Aerospace Manufacturers said the report's recommendations "reflect the solid consensus operating within the industry."

The Ministry of Defence and the Department of Trade and Industry said they would be studying the report.

Britain in brief

British Coal unveils losses of £588m

British Coal warned that more pit closures were inevitable as it unveiled losses for last year of £588m and the outlined its most pessimistic prognosis yet of coal sale prospects. Mr Neil Clarke, chairman, said if electricity generators ran down coal stocks at the levels they had indicated, there would be no room in the market for more than about 8m tonnes over the next two years.

Elstree Studios set to close

The credits are rolling at Elstree Studios. After more than 20 years of financial crises, changes of ownership and rescues, the British Hollywood, in the unlikely setting of Borehamwood, Herts, a million miles from Sunset Boulevard, is to close.

Elstree's owner, Brent Walker, the property and leisure group struggling under £1.3bn of debts, said that the facilities had been "substantially underutilised over the last three years".

Acid rain deal compromised

An international compromise on new acid rain targets could be jeopardised by the government's desire to protect demand for British coal.

A cabinet committee meeting has agreed that in negotiations next month Britain would push for only a 70 per cent cut in sulphur emissions from power stations, a lower target than it had previously indicated. Other countries such as Germany and Norway will back tougher targets of up to 90 per cent cuts when they meet in Geneva to negotiate a new protocol for the European Commission for Europe, which includes most European countries, the US and Canada.

Revenue owes £800m rebates

More than 6m people have failed to claim back some £800m owed to them by the Inland Revenue, according to the House of Commons Public Accounts Committee. The money consists of refunds on tax paid on savings accounts since the abolition of composite rate tax in April 1991.

Sir Samnel Brittan, an assistant editor of the Financial Times, was knighted by the Queen yesterday for services to economic journalism.

● Government vulnerable if treaty lost ● EC concern at German legal challenge ● UK result may hinge on 11 votes

Commons defeat could be fatal for embattled prime minister

By Philip Stephens, Political Editor

HE CANNOT afford to lose. The Maastricht Treaty will survive a government defeat in today's Commons vote on the social chapter. The same cannot be said with confidence of Mr John Major.

Defeat could come in more than one form. Enough MPs might support Labour's amendment demanding that British ratification is delayed until Mr Major embraces the social chapter. A majority might vote down the government's own motion asking for parliament's approval to complete the process.

But the treaty would remain recoverable - through another vote in the House of Commons, through a confidence motion which would force Tory Euro-sceptics into line or through some combination of both.

The battle might drag on until the autumn but of one thing the cabinet is certain: however difficult ratification might prove the government could not survive abandonment of the treaty. But speculation about the constitutional and legal manoeuvring which would follow a defeat - much of Labour's rhetoric about the "will of parliament" smacks more of opportunism than constitutionalism - obscures the central political point.

Maastricht is Mr Major's treaty. It was once his triumph. The social chapter opt-out he negotiated for Britain was part of that now-tarnished victory. If he cannot now command a majority for it in the House of Commons, his own already much-diminished political authority could evaporate completely.

The parliamentary battle over Maastricht has dragged on now for 16 months, widening and deepening the wounds which Europe has always inflicted on the Conservative party. In the process Mr Major has lost much of the instinctive respect that Tory backbenchers traditionally accord their leaders.

No-one expects that a defeat today would trigger an immediate crisis for Mr Major's leadership - particularly if it is followed by the expected government victory in any confidence vote. But the prime minister would be still more vulnerable to another outbreak of Tory panic in the autumn.

Within a few days the Christchurch by-election is expected to paint another devastating picture of the government's unpopularity in the country. Mr Major can then claim the refuge of the long summer parliamentary recess - and hope that the strengthening economic recovery refloats his premiership.

But he should not underestimate the level of disenchantment in his own party. His administration is perceived from within to lack coherence and direction. His enemies are not alone in talking about the possibility of a different leader.

So tonight he must win. He might well. Despite the seemingly impossible parliamentary arithmetic thrown up by the combined forces of the opposition parties and the Euro-sceptics, the mood at Westminster suggested that somehow the government would find enough votes to scape through. Mr Major cannot afford to admit other option.

Major talk of the town in Brussels

Lionel Barber on the diversion presented by Britain's treaty wrangles

THE fate of Mr John Major's premiership has become the topic of speculation far afield from Westminster.

Even in Brussels, where the embattled prime minister has sought to portray himself as a good European, his future is the subject of debate on the cocktail and caviar circuit.

A recent inquiry by one Scandinavian diplomat was typical. "When will Mr Major go?", he asked, "and who will replace him?"

Speculation on the future of Britain's prime minister has captured the imagination of diplomats and enabled them to divert their attention from three unpleasant truths.

The first is that less that two months after Danish voters gave new life to Maastricht, the treaty is once again in difficulty. Whatever the outcome of today's House of Commons votes, Lord Rees-Mogg's UK High Court challenge to the treaty could delay final ratification until late autumn.

Mr Douglas Hurd, UK foreign secretary, hinted at further delay after a routine meeting of EC foreign ministers in Brussels last Monday. But he also pointed out, gently, that Britain was not alone: Germany, too, faced legal problems with the treaty.

Most EC leaders have been too polite to allude to the hearing before the Federal Constitutional Court in Karlsruhe on whether Maastricht conforms with German's post-1945 constitution. Many preferred to ignore it.

It is slowly dawning on the European Commission that the legal challenge in Karlsruhe is serious. Perhaps the most important question is how Article 20 of the Basic Law, which says that "all state power is rooted in the people", can be reconciled with a treaty which transfers some of this power - the part dealing with economic and monetary policy - to new European authorities of limited democratic accountability.

The German court action leads to the third truth. Assuming that the treaty is not derailed in the UK or Germany, Brussels has a new deadline for ratification: January 1, 1994, which coincides with the second stage of economic and monetary union as set out in Maastricht.

The date, however, is a full 12 months after Maastricht was originally due to come into force. Earlier threats that the UK and (then) recalcitrant Denmark risked being cut loose by the rest of the Community unless they completed Maastricht ratification by July 1, 1993, now look rather empty.

What is striking is how the recrimination of 1992 has evaporated in 1993. A mood of sullen resignation permeates Brussels, best captured by Mr Delors. Laid low with sciatica, he has been unusually subdued, though this week's dawn deal on regional aid with the member states shows his appetite for the big occasion.

Finally, there is tha social chapter. Many Europeans wonder how Mr Major can ignore a House of Commons vote in favour of an amendment which supporters claim would nullify the Maastricht treaty opt-out won by Britain.

All EC member states believe ratification of the treaty is more important than Britain accepting the social chapter. But if Maastricht is ratified, Britain's absence from social policy negotiations will become highly contentious.

Mr Zygmunt Tyszkiewicz, secretary general of Unice, the European employers confederation, argues that Britain has traditionally moderated EC social policy risks. Its absence could mean that the 11 will press far ahead of what business wants or needs.

Mr Tyszkiewicz wonders whether Mr Major's social chapter opt-out will look so smart in, say, five years time, when a future UK government may decide to return to the table, and Britain would have to accept a body of EC social legislation upon which it had no influence.

Rebel votes could defeat government

THE stark parliamentary arithmetic still looks against the government for tonight's vote, writes Alison Smith.

In theory, the Conservatives should be able to rely on 332 MPs, giving them a majority of 18 over all opposition parties. Since Sir James Kilfedder, the Ulster Popular Unionist MP has said he will vote with the government tonight, the majority rises to 20.

On this basis, it would take only 11 Tory rebels to vote with the opposition to defeat the government.

Almost all the opposition parties have a clear interest in voting against the government. Labour itself it makes up 269 of the total. The 21 Liberal Democrats are set to line up with Labour, along with the four Plaid Cymru MPs; the four Social Democratic and Labour Party MPs; the three Scottish Nationalists and the three Democratic Unionists.

The unknown factor is the decision of nine Ulster unionist MPs who are thought to be discussing a governemnt deal.

Attention focuses on social chapter

By David Goodhart, Labour Editor

THE SOCIAL chapter of the Maastricht Treaty, the subject of today's vote, significantly reduces the scope of national veto in employment matters by extending qualified majority voting to subjects such as working conditions and worker consultation.

Without its opt-out the UK government could have been forced to accept directives on issues such as the introduction of works councils for informing workers in multinational companies.

The introduction of such works councils is likely to be the first issue to be agreed by the 11 social chapter countries, excluding Britain.

At least 100 UK multinationals are likely to be affected by the worka council directive through their subsidiary operations in continental Europe.

The chapter includes another list of areas - such as social security, protection of workers when dismissed, and employment conditions of third country nationals - which will continue to be subject to unanimous voting and which has thus caused the British government little difficulty.

Probably the biggest objection of all is to Article 118a of the Treaty which for the first time in an any international treaty strongly endorses collective bargaining.

The Article insists not only that the unions and employers are consulted on the content of directives but that in some circumstances they can draw up and implement directives through legally-backed collective bargaining.

This would probably have no direct effect on the UK as the country does not have the appropriate bargaining institutions. But it shows why the government in London which, alone in the EC, strongly backs labour market deregulation and has severe doubts about collective bargaining finds the social chapter difficult to stomach.

PEOPLE

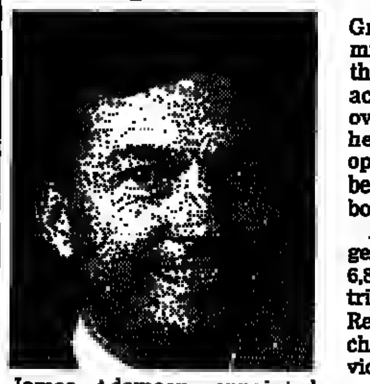
LET in and LET go

SPP, the Swedish life group, has reorganised the management structure of its international property portfolio so as to integrate its UK subsidiary London & Edinhurgh Trust, which incurred a loss of £448.6m in 1992, more closely into its investment division. The regional holding company boards have been replaced by a divisional structure.

Nicholas Shaehan is chief executive of the UK Property division; Gerald Kaye is chief executive of the Continental Europe Property division; David Sherwood is chief executive of the North America Property division and Charles Saunders chief executive of Pacific Property division.

A group of former LET executives have formed Bawn Management, a property management consultancy. Bawn Management will be chaired by Andy Blackburn, a former director of LET Retail, and its board will include Peter Beckwith, the founder of LET, and John Newman, who recently resigned as head of LET Retail.

A bigger bite of the burger for Adamson



James Adamson, appointed chief operating officer of Grand Metropolitan's Burger King worldwide operations in August last year, steps up to chief executive officer.

He succeeds Barry Gibbons, who remains chairman of Burger King, but will now undertake a broader management role, working with Ian Martin, GrandMet's chief operating officer, on international brand development.

Gibhons, former chairman and managing director of GrandMet retailing, masterminded the restructuring of the US fast food chain after its acquisition in the 1989 takeover of Pillsbury. He is a memher of GrandMat's strategic operations committee, and has been tipped as a future main board director.

Adamson (above) joined Burger King, which now operates 6,800 restaurants in 48 countries, at the end of 1991 from Revco, the US retail drug store chain, where he was executive vice president, marketing.

As president of BK's business in the US, he was responsible for improvements in service, marketing and profitability in the company-owned US outlets and in the past year has led BK's expansion into new overseas markets.

In addition to his present worldwide operational responsibilities, he will now assume overall management of marketing, finance, quality assurance, and legal, personnel and external affairs.

Fisons slims

Cedric Scroggs, chief executive of Fisons, the pharmaceuticals and scientific equipment company, has abolished the position of managing director of the scientific equipment division.

Scroggs, who headed the division for 11 years, has decided the three businesses - Curtin Matheson Scientific in the US, Fisons Scientific and Fisons Instruments - enjoy little synergy and there is little point in having an additional layer of management to deal with them.

Robert Lankester, 51, managing diractor of the scientific equipment division, has therefore resigned from the company and the board.

Lankester joined Fisons in 1982 as group financial controller, and became chairman of the horticulture division, now in the process of being sold, in 1989. He was made managing director of the scientific equipment division in April 1992.

There will be a handful of redundancies at Fisons' hq and the heads of the three business units within scientific equipment will report to Scroggs.

Non-executive directors

■ Martin Broughton (above), chief executive and deputy chairman of BAT Industries, a member of the CBI Economic Affairs Committee and the Urgent Issues Task Force of the Accounting Standards Board, WHITBREAD.

■ John Urquhart, vice-chairman of Enron Corp which, along with ICI and four regional electricity companies, recently built a chp plant at Teesside, at the WEIR GROUP.

■ Christopher Bostock has retired from LEARMONTH & BURCHETT.

■ Frank Barlow and Mark Burrell at THAMES TELEVISION following its acquisition by Pearson; Michael Metcalf, Jim Fifield and Simon Duffy bave resigned.

■ Jon Pither has retired from HARTONS GROUP.

■ Colm Menton has resigned from XTRA-VISION; he is succeeded by Sal Perisano, the chief executive.

■ Kenneth Coates, chairman of Meggitt, at LONDON ATLANTIC INVESTMENT TRUST; Peter Wreford has retired.

■ Frank Midmer at SOUTHERN WATER on retiring as group technical water; Brian Thorpe is retiring.

■ Herbert Brewer has resigned from TRITON EUROPE.

■ Ralph Platt as chairman of RELYON having retired as md.

■ Ian Topping at LINCOLN HOUSE having stepped down as chief executive on his appointment as md of Relyon Group.

■ Brian Baillie at P&O Australia and as deputy chairman of P&O Asia having retired as an executive director of P&O.

Cinema / Stephen Amidon

From Twin Peaks to a trough of tedium

As one of the principal writers of *Twin Peaks* and *Hill Street Blues*, Mark Frost was responsible for some of the more daring and accomplished work to hit the small screen in recent years. It is therefore a surprise and a disappointment that his movie debut, *Storyville*, should be an anaemic formula thriller, lacking the dramatic drive and quirky detail of his previous work.

Set in and about New Orleans, *Storyville* concerns itself with Cray Fowler, a young lawyer from a wealthy Louisiana dynasty who is running for Congress. His ill-considered tryst with sexy karate instructor Lee (Charlotte Lewis) lands him in big trouble when her pimp father is murdered after secretly filming them making steam in a jacuzzi. Lee is accused of the crime and Cray decides to defend her, in the process uncovering some disturbing facts about his own father's death. Murder, mayhem and scandal ensue, resulting in a courtroom scene that ends in a slow motion gunfight (including the judge) just as the plot teeters on the edge of pure confusion.

Storyville starts out looking like a hot-blooded Southern political thriller, though it soon loses its way, branching out to include racial politics, murky family relations, Vietnam atrocities, oil scandals, even transvestitism. Frost as director proves to be competent if a bit slow, though as a writer he seems not to understand that a 100-minute movie requires more discipline than a television series. Every time the movie threatens to become comprehensible Frost switches tracks. There are so many loose ends here that it winds up resembling a ball of yarn after being discovered by a kitten. After a while you feel that there is really no reason to pay attention.

STORYVILLE (15)
Mark Frost

TANGO (15)
Patrice Leconte

BAMBI (U)
Walt Disney

As for the cast, some turn in stridently hammy performances, such as Jason Robards as a drunken family patriarch and Piper Laurie, who behaves as if she had just wandered in from a Tennessee Williams play. Others, like Spader and Joanna Whalley-Kilmer as a tough lawyer, merely look stricken. The film's only bright spot is the presence of Michael Warren and Charles Haid, the duo who played Hill and Renko on *Hill Street Blues*. Haid is robustly vulgar as a pornographer, while Warren, holding gracefully, sums up proceedings best of all when he proclaims that "there's a mighty big turd in the punch bowl."

If Frost's film wanders off down too many thematic avenues, then Patrice Leconte's *Tango* suffers from the opposite fate. Early on, it promises to be a fulsome black comedy examining that dark part of every married man's psyche that wishes for his wife to be out of the picture – permanently. But after sounding this intriguing and potentially resonant note, Leconte bangs away at it until it rings hollow.

The film deals with Paul (Thierry Lhermitte), a philandering husband whose wife turns the tables on him when she finds out about his cheating. She has a very public affair, then leaves him. At first he thinks her absence is a blessing, but he soon discovers that he cannot be happy as long as he knows that she is off betraying him somewhere.

He asks the advice of his confirmed bachelor uncle (Philippe Noiret), who suggests that Paul should kill her, reasoning that a being a widower is a lot less taxing on the mind than being divorced. They hire Vincent (Richard Bohringer) to do the job, who several years earlier had killed his own wife when he discovered her infidelity. The three set off on a search for their prey that will eventually lead them to Africa, where Paul's wife is working for a medical charity.

Leconte's previous films, especially *Monsieur Hire* and *The Hairdresser's Husband*, were exquisite blends of Gallic whimsy and real feeling that were able to catch the viewer off-guard without ever alienating him. And for its first half-hour *Tango* promises to do the same, captivating us with a brand of dark comedy that manages to be charming in spite of its seemingly unpleasant subject matter. The best scenes are the opening ones, in which Vincent, a skywriter, is cuckolded by a wife who watches him paint the sky while she is with her lover. Vincent suspects something is up and tries to spy on her, but she realises that he is nearby upon seeing that the skywriting is not his.

However, such wonderfully inventive moments cannot sustain what is a rather flimsy film. By the midway point Leconte seems to run out of ideas and starts repeating himself. The film loses its freshness, it stops surprising us and descends into a sort of manic predictability that leaves the viewer cold. There is a pointless fight with a truck driver, a senseless sequence of aerial acrobatics with two teenage girls. Even a cameo by Carole Bouquet seems artificial, her cool beauty serving as an illustration to the director's thematic agenda rather than an alluring summons into the heart of the film. With *Tango*, the music stops long before the dancing is over.

□ □ □

I wonder, if *Bambi* were made today and given a Royal Premiere, which member of the gun-toting, blood-sporting Windsors would dare show their face and thereby risk being set upon by an audience of children hungry for revenge? Actually, they need not worry – by today's standards of cartoon carnage, *Bambi's* off-screen violence will probably fail to raise many young eyebrows, whereas 50 years ago it sent kids and parents alike blubbing from the theatre.

Although it remains far better than most things for children, it must be admitted that *Bambi* is not always up to Disney's high standards, somehow just missing that blend of humour, sentimentality and menace that made other Disney animated films so great. And I wonder how many parents are up to explaining to their five-year-olds what all those couples of rabbits and skunks were hurrying off to do during the spring sequence? Still, anyone who has to read a review to decide whether or not to see *Bambi* either has no kids or does not pay any attention to them.

Bambi and friends: tissue-time for young and old alike

Funding threat to Lieder contest

On Tuesday, in the Old Library of the City of London Guildhall, the Walter Gruner Lieder Competition completed its sixth finale. This event, a biennial feature of the annual City of London Festival, is the world's only musical competition of any importance devoted to Lieder – the point was underlined by the distinguished baritone Benjamin Luxon, the Gruner jury chairman, in a pre-results-giving address.

It perhaps needs underlining the more because, as Luxon also made clear, there seems to have arisen a question-mark over the competition's future survival. A bequest left by Gruner (an admired Lieder pedagogue at the Guildhall School) after his death in 1980 has been up to now the source of funding (together with sponsorship from the festival itself). The Gruner cash has now run out. Unless an alternative source can be found, the sixth edition is in all likelihood the last.

This matters. Though in principle competitions are a wasteful way of spotlighting the world's new and important musical talents, the Gruner offers only a relatively small first prize (£5,000 plus a Wigmore Hall recital); its spotlight is therefore not injuriously bright, and the seriousness with which it has always been undertaken makes the competition less of a strain on those young talents than many of similar stature. As Luxon also suggested, in a world in which opera is currently the musical "market leader", the value of an event in which the less showy artistic uses of the singing voice are insisted upon grows ever greater.

A competition that began with Olaf Baer as its first winner, and that has had Simon Keenlyside, Anna Steiger, Thomas Lander and Ruth Ziesak among subsequent alumni at various levels, has surely justified its usefulness. This year the first prize was withheld (as it was two years ago) – always a let-down, but to my mind an entirely justifiable decision.

The *de facto* champion, the German tenor Christian Elsner, took second prize; he was rumoured to have sung his final round suffering a heavy cold, but clean, fresh tone, musical sensitivity and expressive blandness – hardly a phrase explored for any dramatic implication – are features of his performance that are probably preserved even when the voice is healthier.

The other finalists, the Canadian bass-baritone Nathan Berg and the Dutch baritone Geert Smits, shared fourth prize (the third was also withheld); this seemed rather a snub to Berg's lively, pinpoint powers of communication, but at the same time an eminently arguable response to the not-quite-finished vocal techniques of both young men.

So, a rather disappointing conclusion to a competition that is itself at the crossroads. But that is no reason to hope for anything other than its continued existence.

Max Loppert

Aix Festival / Richard Fairman

A dark Orlando

The festival at Aix-en-Provence has a distinguished history, which it preserves proudly. A vidéothèque, set up by the town, holds an archive of opera productions back to 1959, which is available to the public, every individual aria instantly accessible, free, in well-appointed video viewing rooms – surely a unique resource.

A glance through the catalogue suggests that Aix has traditionally put the emphasis on singers. Audiences here are always ready to applaud good singing, while they reserve a peculiarly French cacophony of boos, catcalls and whistles for producers and conductors to whom they have taken a dislike. But there can be justice in their verdicts: none of this year's three productions drew as much strength from its subject as it might.

The most successful was *Orlando*, produced by Robert Carsen. For a producer this opera must be either a dream or a nightmare. In one of his most daring scores Handel ran together a wildly heterogeneous succession of moods – light comedy, magic, lavish theatrical effects, romance and black tragedy, all derived from the story of poor Orlando, whose obsessive love drives him headlong into madness.

It was this last aspect which interested Carsen. Faced with the familiar problem of how to deliver Handelian opera to a present-day audience, he determined to confront the opera's dark side. No magic power was allowed any influence over events; the characters were driven by their own psychological demons.

What was asked of Felicity Palmer was a portrayal of the title-role emotionally so frank as to make one want to avert one's eyes. Full-frontal anguish, naked pain were put before us. As a sheer outpouring of feeling it was enormously impressive, as exhausting for us as it must have been for her, but it was achieved at a price; the vocal performance became a relentless onslaught of raw chest notes, tipping over into wild exaggeration in the celebrated mad scene. Surely the early part of the role might have been played a little more easily?

For light relief there were scenes of mundane everyday life. As the shepherdess Dorinda, Rosa Mannion washed her smalls in the brook and ironed them in the kitchen later, all the while singing with delectable spontaneity. Her long second-act aria was the evening's winner. Rosemary Joshua sang with some beauty of tone as Angelica, deserving of a more interesting princely consort than Jennifer Lane's Medoro. Harry van der Kamp as the sorcerer Zoroastro, reduced to a businessman in a shabby raincoat, was left without his magic powers or much charisma.

Ultimately there was no place for sorcery in a production which wanted human weakness to shoulder responsibility for human actions. The wonders, both magical and scenic, in *Orlando* were missing. Too many clichés, too. (The naked girl extra must have felt chilly as the night closed in – the performance did not end until after 1am.) But Antony McDonald's simple, trendy sets looked good and nothing that Carsen did distorted the characters.

As so often, a late 20th-century production style was teamed with carefully considered 18th-century musical practice. For Handel (though not Mozart) Aix prefers period instruments these days. William Christie directed his group Les Arts Florissants with a light touch. Altogether, a performance not without interest for the archives.

Aix-en-Provence festival continues until July 28.

Ballet / Clement Crisp

The Savoy rises from the ashes

London's Savoy Theatre re-opened on Monday, entirely rebuilt after the terrible fire that gutted it in February 1990. It is good to report that Basil Ionides' charming Art Deco interior has been scrupulously recreated: the silvery auditorium, the carpets and painted ceilings, the period ironwork and lighting, are all there, sparklingly fresh and as stylish as ever. (Only one regret: the theatre curtain is still hideous).

The Savoy has in its time housed dancing, albeit the stage is too small for anything ambitious in scale. Its most celebrated occupant was George Balanchine's dazzling but ephemeral troupe, Les Ballets 1933, whose brief season was backed by Edward James as a gift to his wife, the Viennese dancer Tilly Losch. Now the honour falls to English National Ballet to christen its new stage this week with two triple bills.

The opening programme had as its centre-piece Olga Roriz' *Seven Silences of Salome*, over-sibilant as to title, but tough as to dance content. (I reported on its creation earlier this year). It features seven men who are got up in a rag-bag of women's attire over trousers, and who behave as if in the throes of delirium tremens. There is an obscurely argumentative programme note, and the suggestion that what Roriz is giving us is a ragout of Chippendales with more than a dash of feminist exegesis.

In the event, *Silences* triumphs over its ingredients, thanks to Roriz' ability to make taut, anxious dance and to the splendid performances of the men, among whom Denzil Bailey's rhythmic versatility, Thomas Edur's pure style and Stephen Sherriff's psychic concentration, are outstanding. It is a strong work, excellently suited to this stage, and it reveals a great deal about the sure talents of the dancers involved.

Nothing in the rest of the programme made any comparable effect. Frederick Franklin's *Raymonda Grand Pas* is the statutory classical divertissement, with Petipa's dances cleverly adapted, but it demands truly grand dancing. Among the soloists, Agnes Oaks and Irena Pasaric looked happy in their pretty variations: these solos are jewels that they wore with the right assurance. The rest was as subdued as the dreary powdered shoes worn by the women: dancers ought to realise that the fashion for marshmallow shoes is hugely unflattering to their feet. Light reflected from satin gives shape and clarity to the foot, and to movement.

Wayne Sleep provided a romp to close the programme. This is *Savoy Suite*, which makes jokes about Gilbert and Sullivan – whose music is given in a brash arrangement – and marks the re-opening of the theatre with a great deal of energetic activity. On these terms it is merry enough as an occasional piece, and it ends with a resourceful dance for gondoliers (of course). But its life-expectancy is not great.

English National Ballet is at the Savoy Theatre until 24 July. Programme varies.

Theatre / Alastair Macaulay

Daphne's secret love

Daphne and Gertie! Even if you have not read the recent biography of Daphne du Maurier, you may well have heard that its hottest revelation is the passionate friendship that at one time developed between du Maurier and Gertrude Lawrence. (What a shock! Those of us who were born after Lawrence's death had never even thought of linking their names. Du Maurier was not, after all, a character in *Star*, the naff Lawrence bio-pic of my youth.) Here is the play that brought the two women together. Du Maurier wrote it, as a response to another love-affair, in a fortnight in 1948; Lawrence was the actress selected to play the leading role. It ran at the Aldwych for 15 months; Lawrence – who died in 1951 – never again acted on the London stage; du Maurier wrote no other play.

Now *September Tide* returns to London for the first time in 43 years. A romance with a difference, its action occurs in 1948. Stella Martyn, a widow, is visited in Cornwall by her daughter Cherry and her new son-in-law, Evan Davies, a talented painter. Stella, a romantic woman and loyal mother, is possessed by old-style values ("Thank Heaven I had Puritan parents who brought me up with a pre-1914 mentality"), whereas both Cherry and Evan are somewhat Bohemian. She believes in marriage based on love, while they are so modern as to sleep in separate rooms. (Daughter to mother: "Your generation thinks of nothing but sex.") But Evan falls seriously in love with his mother-in-law, and Stella discovers reluctantly that she feels the same way about him. What happens after that (ie all Act Two) I shall not disclose here.

Though I can imagine this forming the basis for a good movie, as has so much of du Maurier's fiction, *September Tide* steers too close too often to dramatic cliché. "What are you trying to tell me?" "Everything. Nothing. All I know is the world has become a different place." A storm arrives with such convenient timing that Cherry has to spend a night away from home. Everyone keeps up the romantic-novel view of Cornwall as a place where men are men and women have the wind in their hair.

But the clichés it sets up: Stella makes the kind of entrance that great actresses used to love, with a basket full of roses, but promptly knocks over Evan's painting box. And in general the text has more wit, and a stronger period sense, than the current cast reveals.

Susannah York, for all her loveliness and bloom, never looks like a woman who harks back to pre-1930 music or manners, and she makes Stella so sensible and ordinary that she irons over the role's dry and debonair humour. (On hearing from Evan that Cherry is a mediocre painter: "What a blessing she did not go in for singing. Such an expensive training. The art school was comparatively cheap.") Moment by moment, York makes sense of the role; but as a whole her Stella is so middle-of-the-road that she knocks the wind out of this story's sails.

Brendan Coyle has the right brooding intensity for the role of Evan. As Cherry, however, Francesca Hunt overdoes the bright eyes and teeth; and overdoes the upper-middle-class combination of hearty manners and pinched little voice. None of the other roles is remotely three-dimensional in conception or performance.

At the King's Head, Islington, London N1.

INTERNATIONAL ARTS GUIDE

■ BATIGNANO

Adam Pollock's intimate, outdoor opera festival, Musica Nel Chiostro, opens tonight with the first of three performances of Le Disgrazia d'Amore by Antonio Cesti (1667), followed in early August by six performances of Bernstein's Candida. Ends Aug 15 (0564-38096)

■ EDINBURGH

This year's festival (Aug 15-Sep 4) includes performances of Janacek's first opera Sarka and three Verdi operas (Oberto, I Due Foscari, Falstaff), an exhaustive survey of the work of young Scottish composer James MacMillan, and several Schubert recitals. The drama programme includes Peter Stein's 1992 Salzburg Festival production of Shakespeare's Julius Caesar, a modern Aeschylus production by Peter Sellars, and the Bob Wilson/Gertrude Stein theatre piece Dr Faustus Lights the Lights. The dance programme is limited to Mark Morris' troupe and the Bill T.Jones troupe (Official Festival: telephone bookings 031-225 5756, 24-hour information service within UK 0891-600 304. Military Tattoo: 031-225 1188. Fringe: 031-226 5257)

■ BREGENZ

The opera festival on the Austrian corner of Lake Constance continues to solidify its connection with front-rank British producers. Jonathan Miller's new staging of Fedora, with Mara Zampieri in the title role, can be seen on July 25, 29, Aug 1 and 5. David Pountney's production of Nabucco on the floating stage opened last night, and continues with four or five performances each week (and changing casts) till Aug 22. This year's concerts are conducted by Rafael Frühbeck de Burgos, Pinchas Steinberg and Donald Runnicles (05574-4920 224)

■ LUCERNE

This year's programme, opening on Aug 14, focuses on anniversary celebrations of Tchaikovsky and Rachmaninov, with Alfred Schnittke as the festival's first-ever composer in residence. Visitors from Russia include the Bolshoy Opera Orchestra and Chorus, the St Petersburg Capella Choir and Orchestra and the Russian National Orchestra with Mikhail Pletnev. There will be a Rachmaninov piano marathon with Barry Douglas and others, the world premiere of a new work by Edison Denisov and a Schnittke ballet programme. Visiting orchestras include the Berlin, Vienna and Oslo Philharmonics, with artists ranging from Yuri Bashmet to Abbado, Barenboim, Järvi and Sawallisch. There is also a daytime amateur music festival from Aug 16 to 21, including workshops supervised by professional musicians. For those wanting a break from the music, there are trips on the lake, up the Pilatus and Rigi mountains and to the Transport Museum and Lion Monument. Ends Sep 8 (041-235272)

■ DROTTNINGHOLM

Elisabeth Söderström, much-loved Swedish soprano, has taken over as artistic director of the world's most important 18th century theatre still in action. This year's operas include Una cosa rara by Mozart's Spanish contemporary Vicente Martin Y Soler (conducted by Nicholas McGegan) and Grétry's beautiful Zémire et Azore (staged by John Cox). Ends Sep 4 (08-660 8225)

■ MACERATA

The festival opened last week with Rigoletto, starring Renato Bruson, which has five more performances over the next two weeks. Lucia di Lammermoor, opening tomorrow, is staged by Josef Svoboda and conducted by Doanto Renzetti, with Valeria Esposito in the title role. Le nozze di Figaro, conducted by Gustav Kuhn, opens on July 29. Ends Aug 11 (0733-230735)

■ OSLO

Norwegian violinist Arve Tellefsen, founder-director of the Oslo Chamber Music Festival (Aug 6-14), has drawn together friends and colleagues for an attractive anniversary tribute to Grieg, his contemporaries and compatriots. Artists appearing at the festival include Swedish baritone Hakan Hagegard, Jan Garbarek Jazz Quartet, Nordic Youth Orchestra, Norwegian cellist Truls Mork and pianist Tedd Joselson. Three festival concerts take place in Bergen, for which a special train has been chartered to take the audience through the scenery which was Grieg's inspiration (2255 2553)

■ PESARO

The Rossini opera festival opens on Aug 9 with the first of four performances of Armida, staged by Luca Ronconi and conducted by Daniele Gatti, with a cast led by Anna Catarina Antonacci, Ramon Vargas and Jeffrey Francis. This year's other production is a revival of the Pizzi staging of Maometto II starring Cecilia Gasdia. Raina Kabaivanska sings arias by Gluck, Rossini and Cherubini on Aug 18, and Maurizio Pollini gives a piano recital on Aug 21. Ends Aug 22 (0721-33184)

■ SALZBURG

Gerard Mortier's second festival, opening tomorrow, will be less of an explosion than last year, but the programme is still bursting with good ideas. Deborah Warner stages Shakespeare's Coriolanus alongside a revival of Peter Stein's 1992 production of Julius Caesar. This year's new opera productions are Cosi fan tutte (with Cecilia Bartoli and Jennifer Larmore), Lucio Silla (with Ann Murray and Luba Orgonasova) and Monteverdi's Poppea (with Sylvia McNair and Philip Langridge). Revivals include Salome (Bondy/Dohnanyi, with Catherina Malfitano and Bryn Terfel) and Falstaff (Ronconi/Solti, with José van Dam). There are concert performances of Dallapiccola's Ulisse and Nono's Prometeo. Despite the increase of contemporary music at the festival, Salzburg's luxury element continues with a parade of top-class orchestras, conductors and soloists, including the Berlin Philharmonic with Abbado, the Oslo Philharmonic with Jansons and Vienna Philharmonic under Maazel, Ozawa and Levine. Riccardo Muti's only appearances this year will be to conduct two Jessye Norman concerts on Aug 2 and 3. A notable occasion will be the farewell concert on Aug 9 of Christa Ludwig, one of the best-loved of Salzburg veterans. Ends Aug 31 (0662-844501)

■ SAVONLINNA

No one who visits Finland's premier summer festival can fail to be impressed by the stone castle courtyard in which it takes place. Poised on the edge of a lake, Olaf's Castle (Olavinlinna) is one of the world's outstanding outdoor locations for opera. The final week of the festival features Lithuanian Opera and Ballet Theatre in Nabucco and Lucia di Lammermoor (057-514700)

■ TANGLEWOOD

For more than 50 years, the Boston Symphony Orchestra's summer home has provided a relaxed setting for concerts in the heart of the Massachusetts countryside. Tonight's chamber music concert is given by Muir String Quartet. Tomorrow and Sun afternoon: John Eliot Gardiner conducts works by Beethoven and Berlioz, with viola soloist Yuri Bashmet. Sat: Seiji Ozawa conducts symphonies by Bernstein and Mahler. Guest artists over the following two weeks include Roger Norrington, Thomas Hampson, Maria Tipo and Midori. The Boston Symphony's concert series ends on Aug 31, after which there will be a week of jazz concerts featuring Oscar Peterson, Count Basie Orchestra, Ramsey Lewis and Tony Bennett (Ticketmaster Boston 617-931 2000 New York City 212-3077171)

■ VERONA

This year's operas are Cav and Pag, Carmen, La traviata and Aida. Cav and Pag runs till Aug 14 with casts including Giovanna Casolla, Nicola Martinucci and Giorgio Zancanaro. Casolla and Martha Senn alternate in the title role of Carmen, which runs till Aug 29. Adriana Morelli is Violetta in La traviata (till Aug 30), and Aida opens on July 31 for five performances, with a cast led by Maria Dragoni, Ghena Dimitrova, Kristian Johansson and Paolo Gavanelli. In the second half of August, there will be four performances of Khachaturian's ballet Spartacus (Booking by telephone or in person: Arcovoli 8-9 dell'Arena tel 045-596517 fax 045 801 3287)

ARTS GUIDE

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Wednesday: Festivals Guide.
Thursday: Festivals Guide.
Friday: Exhibitions Guide.

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Sunday Super Channel: West of Moscow 1830
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When the party came to an end

BOOK REVIEW

BEYOND THE WALL: Germany's Road to Unification
By Elizabeth Pond
Brookings Institution £22.50 367 pages

Of the many wonderfully described events leading up to the collapse of the Berlin Wall in Elizabeth Pond's book, there is one that is particularly poignant. In early October 1989, when the people of Leipzig were beginning to shake off their fear of the Stasi, or secret police, Kurt Masur, director of the Gewanthaus Orchestra, and five other Leipzigers, drafted an appeal for calm. The eloquent document was printed on smudged carbon copies and read out to thousands gathering at the Nikolai Kirche, focal point of growing opposition to the communist regime.

To make sure the message would get through, Masur recorded the statement and had it broadcast by the local radio station. Afterwards, he returned to the Gewandhaus to conduct that night's concert. It was as if it was entirely natural for a classical conductor in his 60s to help shape a peaceful revolution in one of the world's most highly militarised countries in the late 1980s.

Yet, as Pond shows, the revolution could have ended in bloodshed and death. The Stasi and East German police were heavily armed. The authorities, expecting violence, had ordered blood supplies to be flown to hospitals in Leipzig. But nothing happened. The Stasi held back. Their orders from Berlin were confused. And, once the people had found their voice and courage, the leadership crumbled.

There are many reasons why East Germany's communists caved in so easily.

Pond argues that the communists were out of touch not only with the rapidly changing mood in the country but also with events in the rest of eastern Europe. They thought they could buy time by merely tinkering at reform. But communist leaderships were falling one by one elsewhere. Had Erich Honecker, or his inebriated successor, Egon Krenz, used force, East Germans would simply have voted with their feet by leaving the country through Hungary.

Indeed, once Hungary refused to send back the thousands who had sought refuge through the summer of 1989, they realised they had found a way around the wall. It was the beginning of the end of the party's omnipotence.

The collapse of the wall would not have been possible, however, without Mikhail Gorbachev. Here Pond is at her best. Gorbachev had to be careful not to rush German unification for fear of alienating hardliners in Moscow. Bonn, Washington and London worked hard to preserve his fragile power base through judicious statements reassuring the then-Soviet Union about Nato's role in a united Germany. This gave them a chance to work out the mechanics of unification.

Pond, who has relied on German and US sources, rather than British or French, shows that the US state department believed early on unification was inevitable. It realised, however, that unification was moving much faster than Britain wanted. Indeed, Margaret (now Lady) Thatcher was more than sceptical about the merits of a united Germany, fearing a bigger Germany would upset the balance of power in the European Community and Europe generally. Yet, once unification was sealed, Helmut Kohl, basking as first chancellor of the new united Germany, shifted his attention to anchoring Germany into Europe and made the realisation of the Maastricht treaty a priority.

In retrospect, perhaps Kohl has devoted attention to Europe which could have been better spent helping foster understanding between the two halves of Germany. Pond's book, too, might have given more attention to the internal dynamics of German unification and looked forward to how it might work itself out.

On many levels, Germany continues to experience a revolution. Unlike the countries of eastern Europe, which are making a slow transition to the market economy and democratic institutions, eastern Germany is being completely transformed. Its entire economic, social and political base has been uprooted and replaced by western German institutions. Judges, school teachers, diplomats, factory managers and professors have been sacked or replaced.

The result has been debilitating in one important respect: eastern Germany has not yet produced local political elites. No wonder the easterners complain about colonisation by the westerners, who in turn resent how deeply they are digging into their pockets to pay for unification.

There have also been profound effects on economic and foreign policy. The high cost of modernising eastern Germany means Bonn is slowly reconsidering the consensus-based corporate capitalism which shaped Germany's postwar development in favour of more competition. East Germany itself is too small a market to force this change. Yet the way in which the east Germans – backed by the Treuhand, the agency overseeing privatisation, and the finance ministry – are beginning to demand greater access for foreign investors, particularly in the energy and electricity sectors, shows they are not prepared to accept monopolies being imposed on them.

Unification has also meant that Bonn is having to decide the role it is prepared to play in international organisations, particularly in the United Nations. This has meant much soul-searching – predictable, according to Pond – about the tasks Bonn, Washington and the EC should perform in the post-cold war era.

But this quest, contrary to Mrs Thatcher's grim predictions, has not created a pushy Germany. If anything, unification has exposed Europe's, and Germany's, limitations in dealing with the consequences of the collapse of communism, as the Balkans confirm.

As for Kurt Masur, unification has allowed him to bask in his own new-found freedom by conducting in New York.

Judy Dempsey

ECONOMIC VIEWPOINT

Clues to rising unemployment

By Samuel Brittan

By any standards the unemployment rate in western industrial countries is alarming. The Organisation for Economic Co-operation expects the total in its 24-member countries to reach nearly 36m in 1994 – some 19m in the EC. On top of these are an estimated 3.7m people who have been "discouraged" and 9.3m part-time workers who say they would prefer to work full time.

The unemployment estimates are equivalent to an unemployment rate of 8¼ per cent for the whole of the OECD, but 11¾-12 per cent for the EC. For all President Bill Clinton's grumbling, the US has an unemployment rate of 7 per cent, expected to drop to 6¾ per cent with economic recovery; and in sharp contrast to Europe's economy, unemployment has not been on a rising long-term trend.

On equivalent definitions, the worst-hit countries are Spain and Ireland with unemployment rates in excess of 20 per cent. Among the larger European countries, both France and unified Germany are in the course of overtaking the UK in the unemployment stakes: all three have rates not very far from 10-12 per cent. Sweden, once presented as a labour market model, now has an unemployment rate of nearly 7½ per cent. There is much the same effective rate in Japan if allowance is made for the exceptionally high number of Japanese discouraged workers and unrecorded jobless. The best performers are still found in the Alpine states of Switzerland and Austria, with unemployment rates of 4½-5 per cent – though still higher than a decade ago.

Faced with this challenge, OECD economists say, in the italicised introduction to a so-called editorial chapter of the July Employment Outlook:

"To respond effectively, policy needs to exploit the complementarity between sound macroeconomic policies, aimed at creating the right environment for economic agents to take long-term decisions about saving and investing, and structural policies aimed at making labour and product markets more adaptable."

Politicians of different countries and persuasions, both supporters and opponents of the Social Chapter, seem happy to sign declarations embodying this mind-numbing OECD-speak. But the unanimity is achieved at too high a price.

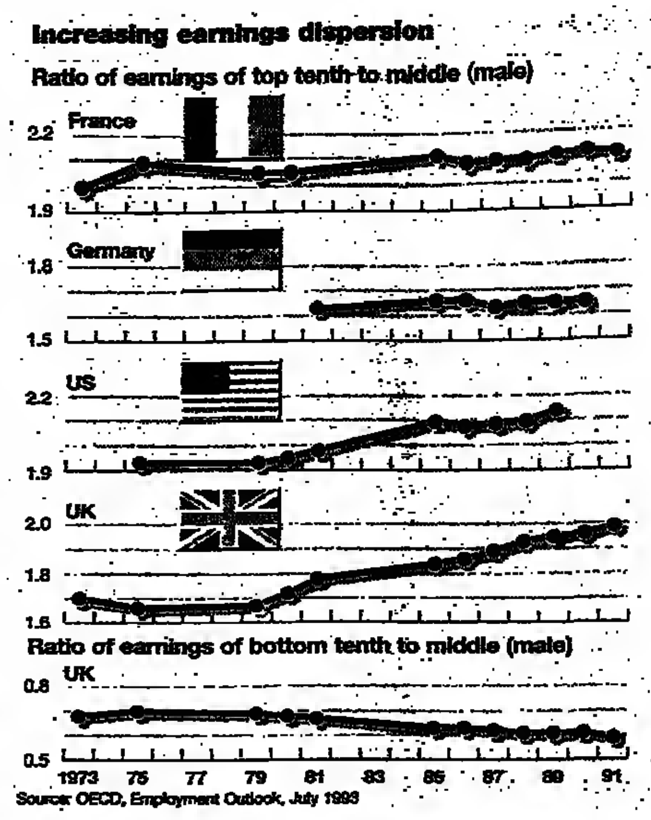
The British chancellor, Kenneth Clarke, put it better in Frankfurt on Monday, when he said that Europe's labour markets are "over-rigid, over-regulated and over-priced". Regulations and high overheads to pay for social security are just as much a cost to employers as excessive wages and have a similar effect on jobs.

To say that economic growth will not cure hard-core unemployment is itself a half truth. Clarke suggests that a European growth rate averaging 2-3 per cent a year is required simply to halt – eventually – the rising unemployment tide. In that case a higher growth rate is still required to reduce unemployment – unless it is seriously thought that extra workers would make a negative contribution.

There are still only two respectable diagnoses of high unemployment: inadequate demand and pricing out of work. Almost for the first time since the second world war, inadequate demand growth is an important force. Whether because of the legacy of past tight monetary policies, or because of the debt overhang, total cash spending – measured by Nominal gross national product – in the Group of Seven leading industrial countries has risen by only 3½ per cent in the past 12 months, compared to the 5½-6 per cent which would be required to secure reasonably non-inflationary growth. Budget-balancing exercises should be put on ice until demand growth is clearly recovering (as it is in the UK).

The word "structural" – or better hard-core – can legitimately be used for that part of unemployment which would not be permanently reduced by demand expansion. It is this element which has been rising from one business cycle to the next, and which is especially bad in Europe.

The proximate explanation for this hard core is pricing people out of work: that is pay and other labour costs which make workers unprofitable to employ. This is clearly related to the radical-right emphasis on dole rates which discourage people from accepting low-paid employment. The two come together in the probability that without the dole, pay rates would drop, as people would have to price themselves into work to survive. I prefer the pricing-out formulation because it leaves space for institutional and psychological forces which – quite apart from the dole – stop pay shifting to market-clearing levels.



Source: OECD, Employment Outlook, July 1993

Bigger pay ratios, fewer and less stable jobs are three aspects of the same changes

Although mention of pricing out of work always leads to protests, hardly any of the indignant responses put their finger on the real weaknesses of the thesis, which is its timelessness. Why should pricing out of work have got worse from the 1960s to the 1970s, from the 1970s to the 1980s, and the 1980s to the 1990s?

The OECD almost unwittingly provides a clue in a chapter dealing with widening pay differentials among those who remain in work. These differentials are measured in the chart by the ratio of the pay of those 10 per cent down from the top in the earnings distribution to those in the middle ("the median"). It is also measured by the ratio of those in the middle to those who are 90 per cent of the way down.

Almost every country has shown an increase in the ratio of top to median earnings, especially among males. The estimates are of pay before tax and social security contributions. In some countries, such as the US and UK, the rise started in the late 1970s, but everywhere it became more acute in the 1980s. Michael Prowse explained on the facing page in yesterday's FT that in the US there has been an absolute fall of more than 10 per cent in the earnings of those at the bottom. In the UK there was also a widening of the gap between the bottom 10 per cent and the median. The main exception to these trends is Germany, which may explain some of the present difficulties in the German labour market. Although this cannot yet be shown statistically differentials have become not only larger but more unstable, especially in the executive groups.

According to the OECD, very little of the increased earnings dispersion is due to structural shifts such as the move from industry to services. For the rise in dispersion has been very similar within each business sector. The Employment Outlook does state, however, that technological change has raised the productivity of highly-skilled workers more than unskilled ones; and the 1980s saw a rise in the "education differential".

But even within groups of similar education and work experience pay differentials grew. In a daring dive into common sense the OECD writers suggest "an increased importance for skills not measured by educational qualifications, such as the ability to work with other people" and also payments more closely geared to performance.

The moral for unemployment suggests itself. If pay differentials had to widen so much even with an ever-growing departure from full employment, how much more would they have to widen to price all workers into jobs? It is not just a question of all pay or average pay being too high, but of some pay relative to others. The causal forces have come from changes in market relativities.

As there are obvious resistances to relative pay moving to market-clearing levels, both from the operation of the benefit floor and from other frictions, the tensions showed themselves in higher unemployment. In the US, and perhaps now in the UK too, tensions are showing themselves in bigger pay differences and less secure jobs.

Unemployment, less stable employment and greater differentials are three ways in which a more diversified and volatile labour market is making itself felt. The third may be the least bad of the three choices.

LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL
Fax 071 873 5938. Letters transmitted should be clearly typed and not hand written. Please set fax for finest resolution

Defence budgets should fund peacekeeping

From Professor Ronald Dore.

Sir, In all the recent discussion of the restructuring of the United Nations – including Edward Mortimer's perceptive piece "Limits of world order" (July 21) – one constant theme is the shoestring financing of peacekeeping operations.

But I see no mention of one particular and important item in the proposals of Mr Boutros Boutros Ghali, UN secretary-general, of last July – his Agenda for Peace document. It was a simple one; would member states please shift their funds for UN peacekeeping from their foreign office to their defence ministry budget. It is, after all, rational functional budgeting. The UN and national forces are alternative means to the end of national security.

It makes sense in other ways. Defence budgets are universally bigger. Defence chiefs get committed at the budgeting stage to operations which they might be called on to carry out. And the chances will be increased of shifting from contingency to regular financing, thereby making possible the creation of permanent UN command structures which can prevent the sort of muddied mismanagement – and waste of resources and lives – that has vitiated the Somalia operation.

Ronald Dore,
London School of Economics,
Centre for Economic Performance,
Houghton Street,
London WC2A 2AE

Few realise real cost of a pension

From Mr R W Neate.

Sir, Hugo Dixon unfortunately fails to appreciate that the cost of a decent pension is not grasped by the majority ("The best judges", July 19). Hence only a relatively small proportion of personal pension contracts take in contributions other than the National Insurance rebates.

In Pilkington, top-ups were provided by the employer to those retiring in 1945-80 to ensure long-serving employees had pensions of up to 40 per cent of final salary. Pensions generated by the base money purchase scheme established in 1919 were not adequate, despite contributions more than comparable with current NI rebates.

Under the current Pilkington approach to pensions, the employer contribution is a defined percentage, but final salary type benefits are provided by the trustees (50 per cent member-elected). If surpluses are generated, the trustees decide the application; equally, if a deficit emerged, the trustees would have to manage the situation, perhaps by cutting future accrual or asking the members for more.

Lastly, on the question of linking pensions to a member's contributions we also provide a scheme (like the State Earnings-Related Pension Scheme) in which benefits are related to career long contributions, the contributions being up-rated in line with an average earnings index. Again, it has 50 per cent member trusteeship and a defined employer contribution.

R W Neate,
director,
Pilkington Pension Services,
Prescot Road, St Helens

Streamlining is enough for regulatory system

From Sir Gordon Downie.

Sir, Lex suggests ("Prudential regulation", July 12) that legislation is the only way to improve the regulation of retail financial services. It is not.

The new Personal Investment Authority can deliver higher standards of retail regulation and crack down on fraud and malpractice. It will set tough measures of competence for the industry as a whole and introduce a single system for the resolution of complaints.

I am not alone in arguing this approach. A growing number of institutions and leading industry figures take the same view. Those who call for statutory regulation are not all seeking the same solution. The fact is that our present regulatory structure is statute-based but benefits from the full participation of practitioners who understand the industry in which they operate.

We have had more direct forms of supervision by government in the past, and these were much criticised for their ineffectiveness. Do we really want to go down a track which has failed investors so many times before?

Five years ago the government decided to institute a system of self-regulation and this has undeniably delivered considerable benefits for the protection of the investing public. What is now required is a streamlining of the present system, which will build upon the achievements of self-regulation, while rectifying its weaknesses.

I strongly urge consumer bodies and all parts of the industry to co-operate with us in designing the Personal Investment Authority in a way which will command widespread confidence.

Gordon Downey,
chairman,
Personal Investment Authority,
3/4 Royal Exchange Buildings,
London EC3V 3NL

Hopes of more road schemes being abandoned

From Mr Ashley D Deacon.

Sir, Mr John Stewart, chairman of the Alliance Against Road-building (Letters, July 14), is quite right: there is indeed a growing movement calling for a shift in emphasis by the Department of Transport away from road-building and a rethinking of the government's multi-billion pound roads programme.

The Oxleas Wood decision has not only given that movement added momentum, it has also encouraged those currently challenging DoT road-building proposals at public inquiries. Speaking from personal experience, coming as it did in the middle of a lengthy and gruelling cross-examination by counsel for the DoT at the A36 Salisbury by-pass inquiry, the Oxleas Wood decision was an enormous morale booster.

In the "little man's" battle against the DoT's big guns, the Oxleas Wood decision was only the latest in what, it is to be hoped, will be a lengthening list of abandoned road schemes from a government that listens to public opinion, recognises the financial constraints it faces, and is politically astute enough to modify its policies accordingly.

Ashely D Deacon,
honorary treasurer,
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18 Bourne Avenue,
Salisbury, Wilts SP1 1LS

Employee-shareholder control of wage inflation

From Mr Peter Ingram.

Sir, Ivan Cohen (Letters, July 13) takes issue with my suggestion that institutional shareholders might be able to exert a beneficial influence on wage bargaining on the grounds that these shareholdings are owned by the employees affected. To criticise the proposal on these grounds is to miss the point. Employees are too frequently the stake-holder in the company most adversely affected by wage inflation. If employees, via their pension funds, can exert a cost discipline that avoids inflationary wage outcomes, current costly solutions such as high unemployment might be better avoided.

Mr Cohen is mistaking a desire to avoid inflationary wage growth for a proposal to "check wages". The two are not the same thing. It is affordable real wage growth that employees require and if employees, through their shareholdings, can assist this process, while avoiding the distortion of inflation and the existing remedy of unemployment, then it can only be to their benefit as well as to that of the corporate sector as a whole.

Peter Ingram,
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FINANCIAL TIMES

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Thursday July 22 1993

New leader for the EBRD

THE EUROPEAN Bank, as its departed president, Mr Jacques Attali, liked to call the European Bank for Reconstruction and Development, needs a new start. It will soon get a new boss, but it also needs redefinition and restructuring. Only then might it prove more than an expensive and embarrassing failure.

Mr Attali's legacy is not all bad. The founding-president had two achievements: the most important was to have been chief spokesman for the needs of his clients; the second was to establish the institution. The next president must build on both.

Ideally, that person would combine the qualities of two candidates, the experience of the reforming ex-finance minister of Poland, Mr Leszek Balcerowicz, and the knowledge of international financial institutions of former International Monetary Fund managing director, Mr Jacques de Larosière. The winner could also use the development banking skills of the World Bank's Ernest Stern and the political clout of former British prime minister, Lady Thatcher. Such a paragon is unavailable. But the EBRD has to get as close to that ideal as possible. Its new chief must at the least possess knowledge of the economic task ahead, impeccable integrity and political weight.

Selection of a man like Leszek Balcerowicz would have attractions. It would symbolise the reunification of Europe; would put someone from eastern Europe in an important pulpit; and would endow the EBRD with relevant experience at its highest level. But there are questions. Does Mr Balcerowicz, for all his achievements, have the political and managerial skills the job needs? Equally, would anyone from a client state of the EBRD be able to command the attention of western governments on contentious policy issues, such as trade?

If it is to be someone from the donor countries, Mr de Larosière looks the most credible candidate yet to emerge. This is not because France has a "moral claim" to a job that was won in an unsavoury horse trade with the British and then filled by a man who has proved unsuitable. Nor is it because there is a shortage of French officials in high places. With Michel Camdessus at the IMF, Jacques Delors at the Commission of the European Communities and Jean-Claude Paye at the OECD, France is more than adequately represented. The case for Mr de Larosière is that he has vast relevant experience.

Choosing a new president will not be enough. The bank must itself be restructured if it is to help restructure former communist countries. Since Europe has no shortage of private merchant banks, the EBRD's existence cannot be justified as a public sector one. More fundamentally, lending by the EBRD directly to private projects is neither a necessary nor a sufficient condition for development of healthy economies based on the private sector. Existence of a public institution like the EBRD is justified by its ability to contribute simultaneously to the formulation of policy, development of institutions, financing of infrastructure and direct lending to private projects. The bank should be organised not by types of projects, but by countries, and possess a substantial permanent presence on the ground.

The question facing the EBRD is not just who should lead it, but what it is for. The new president should follow Mr Attali's example by speaking up for the countries in transformation. But he (or she) must also lead an effective development institution. The EBRD is not that now. Its new president must be able to make it one.

UK aerospace

THE UK's House of Commons trade and industry committee has a hankering for old-fashioned industrial policies. Earlier this year it called for a panoply of controls and subsidies to shore up the coal industry. Yesterday it served up a similar recipe for the aerospace sector: a five-fold increase to £100m a year in government subsidies; more generous aid to launch new products; and possible additional hand-outs to help companies convert from military to civilian products. All this, it said, was necessary to prevent the industry suffering irreversible damage as a result of unfair competition from heavily-subsidised overseas rivals.

Such talk is unduly alarmist. Though the industry is going through a difficult patch following sensible cuts in military spending after the cold war and the recession in civil aircraft, its underlying position in world markets is strong. Rolls-Royce has built up a large share of the aero-engine market, British Aerospace is a shareholder in Airbus, which has taken the number two slot behind Boeing in civil aircraft manufacture, and the industry continues to perform well in winning overseas military orders.

The committee's call for subsidies is ill-judged. This is not just because hand-outs breed dependency, cost taxpayers money they can ill afford and assume that the government is better at picking winning technologies than the market – a theory that has been disproved by bitter experience.

In this case, subsidies would be peculiarly counter-productive because they could help trigger an international subsidy war which Britain would be ill-placed to win. Although many governments aid their aerospace industries, such hand-outs are kept in check by last year's agreement between the European Community and the US. The Clinton administration has been itching for an excuse to unpick the deal, following pressure from stricken US manufacturers, and it would be unwise in the extreme to give him one.

Fortunately, the government is unlikely to go down the subsidy route, though it will pick up the committee's ideas about better dialogue between officials and industry. But this does not mean that government could not do still more to enhance the industry's competitiveness. It should push for a multilateral agreement which rolls back subsidies even further than last year's deal and includes more countries within its remit. It should also urge other European governments to abandon Airbus's quasi-political status and convert it into a normal public company run on purely commercial lines. Such action could be called an industrial policy, but it would be very different from the committee's.

Running Japan

FOUR DAYS after Japan's inconclusive election, the shape of the likely ruling coalition has still not emerged. Nor is it clear whether the net result of these political upheavals will be a shift in power towards the politicians, away from the bureaucrats who have effectively governed the country during the past decades of Liberal Democratic party hegemony. Little wonder, with at least one political party suggesting that budget-drafting should become the prerogative of elected officials, that these are nervous days at the Ministry of Finance.

Surely, the bureaucrats say, we have enough to concern us without worrying whether Japan's pork-barrel politicians are about to undo a decade of fiscal austerity in a spree of tax cuts in the run-up to a second election.

Inconsistently perhaps, the bureaucrats are also worried by the weak economy: recent data on retail sales and the monetary aggregates suggests that confidence remains depressed, while industrial output is still falling. Moreover, the politicians are already judged to have conceded too much to the US by committing the ministry to take further action, if necessary, to reduce the trade surplus. Worse still, US administration officials may soon be back demanding that the agreement be supplemented with numerical targets.

The bureaucrats should act while they can. Now more than ever, given the current confused state of Japanese politics, the Ministry of Finance is in charge.

The obvious way to revive the economy, and thus pre-empt the risk of panic measures later on, is to ease monetary policy now. Policy remains much too tight, given the depressed state of bank lending, while underlying inflationary pressures remain non-existent.

The best way to block US demands for numerical and sectoral trade targets is to pre-empt the inevitable complaint that Japan has failed to live-up to the spirit of the agreement. That means taking steps now to revive demand for imports.

A possible way to prevent politically motivated tax cuts later in the year would be for the ministry to propose a substantial, but temporary, income tax cut now.

The combination of an interest rate cut and a temporary tax cut would thus kill three birds with one macroeconomic stone. And it could only add to the Ministry of Finance's reputation for far-sighted prudence and political savvy. This would serve the bureaucrats well when the horse-trading over governmental responsibilities really begins.

Richard Waters examines the debate surrounding the explosive growth of new financial instruments

Easy option or unnecessary risk

They could be about to bring the world's financial system to its knees, or they could be among the most beneficial products created by the financial industry. The trouble is, so few people understand derivatives that the debate about these new-fangled instruments has hardly got beyond a handful of bank trading floors.

Derivatives – the term covers futures, options, swaps and a growing array of more arcane products – are instruments whose value is based on some other asset, such as a currency, interest rate or share price. An option on a currency, for example, gives the holder the right to buy the currency at a predetermined level from the person who sold the option: if the currency rises on the foreign exchange markets, the value of the option will go up. Options like these may be used by corporate treasurers and others to hedge their future currency cash-flows – or just to speculate.

To their supporters, such instruments have brought new flexibility to the management of financial risks for companies, investors, government agencies and others. To their critics, they have opened a Pandora's box, creating complex risks that few users and traders of derivatives know how to handle.

The financial industry had its own say yesterday in the shape of a report from the Group of 30, a Washington-based think tank. It concludes that derivatives make a "favourable and substantial" contribution to economic activity – though some banks need to think harder about how they manage the risks attached to derivatives.

Other studies this year have reached a similar conclusion, including one from the Bank for International Settlements, the Basle-based club of central bankers. The view that derivatives have been generally beneficial could yet be challenged, however, as financial regulators, particularly in the US, continue to scrutinise the subject.

Derivatives have become popular because they make it possible to hedge or take risks in a way that could not be done before, and because they make existing hedging and risk-taking cheaper. Also, by using an interest-rate swap, a company can change the structure of its liabilities, exchanging a fixed-rate liability for a floating-rate one (the entity on the other side of the swap – usually a bank – takes the opposite position). Such liability management is entirely new.

The returns on assets can be shifted around in much the same way: a shareholder could swap the return on equity for the return on, say, a commodities index. Derivatives have thus given a whole new meaning to the way companies, investors and others manage their assets and liabilities.

Derivatives have also brought down borrowing costs for large borrowers by making it possible for them to take advantage of pricing inefficiencies in different markets. For tax, regulatory or other reasons, a company may be able to borrow more cheaply in a currency it does not need than in one it does.

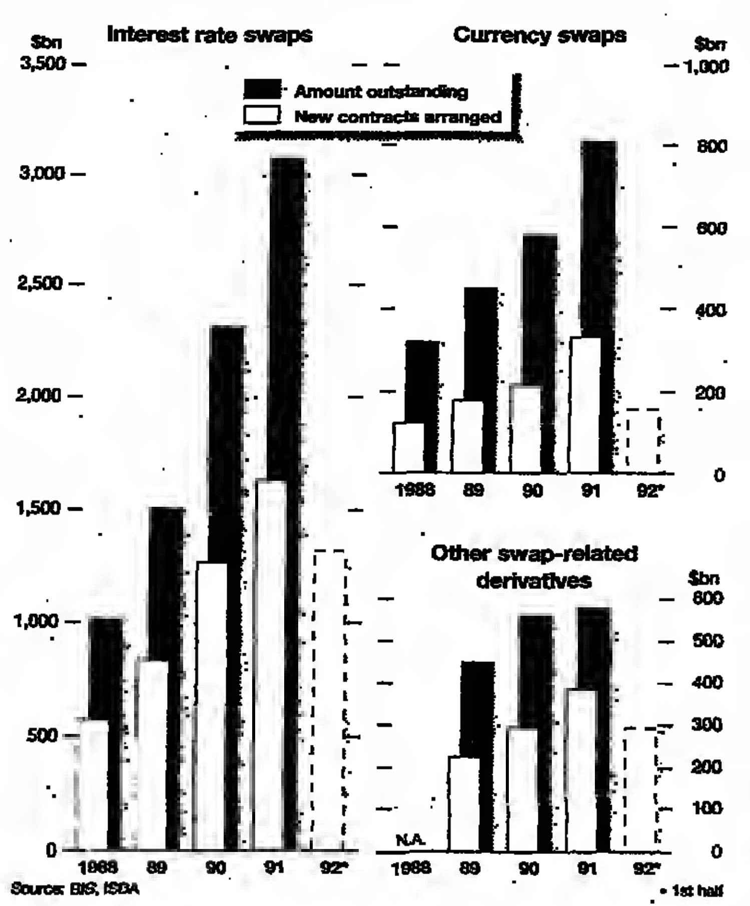
The World Bank, one of the biggest borrowers internationally, raised $3.6bn-worth of currencies for which it did not have a use in the 12 months to the end of June, swapping the money into the dollars, yen and D-marks which it lends. This enabled it to reach a wide range of investors around the world, says Ms Jessica Einhorn, the bank's treasurer: "It allows us to use the world's capital markets to diversify our borrowings into a pool of currencies, and to lock in our borrowing at a lower cost." The bank reckons it saved 40 basis points (0.4 percentage point) a year in interest charges in the past 12 months.

McDonald's, the US-based hamburger chain, uses the swaps market to reduce the cost of financing new hamburger restaurants abroad. In Denmark last year, a swap helped save 1.5 percentage points a year on the financing costs of new restaurants. Mr Carelton Pearl, treasurer, says: "I'm just trying to get the lowest-cost hamburgers for our customers."

Thriving markets have developed in swaps and other new financial products, in the process creating one of the most profitable activities for the handful of large banks which dominate the business. In the first half of this year, trading profits at the biggest US banks climbed sharply, much of it driven by derivatives.

Sophisticated computer systems and highly qualified staff are needed to price derivatives correctly and to enable the banks which sell derivatives to manage their own risks. This has limited the number of institutions able to trade, and added a premium to their efforts. Companies and investors have been prepared to pay the banks' big profit margins on such products for the benefits they convey – a clear case of a technological leap forward that has benefited those financial institutions which made the investment early enough.

Over the counter swaps: new flexibility



Derivatives look set to revolutionise the banking industry for other reasons as well. The business of taking deposits and making loans – the traditional credit intermediation process of banks – has declined as large companies have turned to the securities and commercial paper markets to raise money from investors directly. But by setting themselves up in the derivatives business, banks have been making themselves useful again to big companies. While loan growth has stopped or gone into reverse at most big commercial banks in the US and UK, there has been a steady growth in the credit risks taken on by banks through their derivatives activities.

The process has been most marked at the US banks JP Morgan and Bankers Trust, which have moved fastest into the derivatives business. At Bankers Trust, off balance sheet credit risks from derivatives now exceed loans recorded on its balance sheet. Bankers Trust and JP Morgan have become the most profitable big commercial banks in the US, making a return on equity of more than 20 per cent each last year. Other big banks struggled to get into double figures.

It is not difficult to see why regulators have expressed concern at the pace of growth in derivatives. Mr Gerald Corrigan, president of the Federal Reserve Bank of New York, warned last year: "High-tech banking and finance has its place, but it's not all it's cracked up to be... The growth and complexity of off-balance sheet activities and the nature of the credit, price and settlement risk they entail should give us all pause for concern."

The banking industry has hardly covered itself with glory in the past decade, stumbling from the third world debt crisis at the start of the 1980s to the popping of the credit-induced bubble in property and other asset markets at the end of the decade. If bankers are unable to handle credit risks they have dealt with for generations, can they deal with the new risks associated with derivatives?

In addition, the stock market crash of 1987 has left a lingering suspicion of high-tech trading techniques. Computer-driven "portfolio insurance", which was meant to limit the risk of loss from a fall in share prices, was suspected of having hastened the collapse in 1987. To critics, the safety offered by the sort of hedging techniques used by derivatives traders could turn out to be just as illusory.

There is some evidence to support this fear. Last September's currency crisis in the European exchange rate mechanism led some interest rate derivatives markets to dry up, making it impossible for derivatives traders to hedge the risks they were running. The financial markets had proved more volatile and less liquid than derivatives traders had assumed.

Although the prospect that a bank's trading strategy will go wrong prompts the most frequent expressions of concern, the real danger from derivatives probably lies elsewhere – in the lack of an adequate infrastructure to support these fast-growing markets, and a shortage of people, including senior bank executives, who understand derivatives.

The lack of infrastructure stems from the speed with which the markets have grown: the legal, accounting and regulatory framework of the financial markets has failed to keep up. Also, banks have put more effort into their "front offices" (the traders and supporting computer systems which conduct the business) than their "back offices" (the administrative support functions such as internal valuation and reporting, and settlement).

Without efficient administration, trading activities could founder. As Mr Bill Rhodes, vice chairman of Citicorp, says: "Very often that's the one thing that's missed. If there's one thing that concerns me, it's that the back office is set up properly."

Challenge of balancing power in Bosnia

PERSONAL VIEW

The general perception that the new political proposal for Bosnia and Herzegovina is the demise of the republic is simply wrong. Rather, the proposal to create a confederal form of government between the three constituent peoples of Bosnia and Herzegovina represents a real hope for peace, and possibly a last opportunity to prevent a permanent division of the country.

The new plan is a variation on the Vance/Owen plan. It is being formulated, as was the earlier plan, under the auspices of the international community. Lord Owen and Mr Thorvald Stoltenberg are mandated by the European Community and other parts of the international community to guarantee that the plan is fair to all three sides.

The Owen/Stoltenberg plan will ensure the integrity of the Bosnian state, while accepting the reality that has divided the country along three lines. It will be a middle road between the two extremes: the yearning by the Bosnian president, Mr Alija Izetbegovic, for a strong centralised state and earlier claims by Mr Radovan Karadzic, leader of the Bosnian Serbs, that Bosnia and Herzegovina should not exist at all.

The Owen/Stoltenberg plan will also have some fundamental elements of the Cutilliero plan – creation of a confederate state delineated along ethnic lines. The Cutilliero plan was signed by all three sides in Lisbon in March 1992. Regrettably, Mr Izetbegovic later rescinded his signature.

The eight-point Cutilliero criteria for delineation will be used. Territorial distribution will focus on economic value rather than on surface area. Under this formula, Moslems could receive two units, the Bihac area and the Sarajevo-Tuzla-Zenica triangle. The industrial production capacity of these represents a proportion of Bosnia's gross domestic product that is greater than the Moslem proportion (44 per cent) of the population.

The Owen/Stoltenberg plan will accept the reality that Bosnia and Herzegovina can exist only as a voluntary union of its three constituent peoples. Calls for a multicultural and multinational Bosnia and Herzegovina are lofty goals and should be the ultimate objective, but the reality of Bosnia and Herzegovina is that its electorate chose to belong to purely ethnic parties and to vote along ethnic lines – Croat, Moslem and Serb.

This reflects not so much a lack of commitment to democracy and the tolerance of diversity as the deep-seated fear of government in a society conditioned by a legacy of ethnic-based oppression. Four centuries of domination by the Ottomans were followed by the post-first world war dictatorship of the Serbian monarchy and then by the Serbian-dominated communist Yugoslav government.

The reality is that the electorate chose to belong to ethnic parties and vote along ethnic lines

Ethnic dominance is a particular concern to Bosnian Croats, who are the smallest of the three groups. This should concern Mr Izetbegovic as well. One often overlooks the fact that, given the casualties in this war, it is almost certain that the Serbs will emerge as the largest population group and possibly a majority in Bosnia and Herzegovina after the war.

In a country where the largest ethnic group dominates, the challenge, therefore, is to devise a political system that creates a credible balance of power between the three peoples.

In some respects the Owen/Stoltenberg plan will resemble the first constitutional arrangement of the US. Confederation was the foundation of a democratic model of government widely considered the best in the world. The Articles of Confederation of 1781 formed the nucleus of trust and co-operation between the autonomous-minded 13 colonies which had differing needs, interests and political aspirations. No other initial form of government could overcome the mistrust in a centralised government's ability to respect individual, group, religious and economic rights.

For those who insist that, no matter what it is called, this is the end of Bosnia and Herzegovina, I say: you are absolutely wrong. This is the only way that Bosnia and Herzegovina can survive – as an arrangement that allows for balance of political power. Confederation is the way to prevent what would become one-party rule in Bosnia and Herzegovina.

We must not build what could became an ethnic party dictatorship in Bosnia and Herzegovina. We should look to build a genuine and sustainable democracy instead. Confederation will do that. At the moment, just as in 1781, nothing else can.

Mate Boban

The author is leader of the Bosnian Croats. A Personal View by Mohamed Sacirbey, Bosnian ambassador to the United Nations, will be published soon. An article by Radovan Karadzic, leader of the Bosnian Serbs, appeared on June 9

OBSERVER

CIB tells the others

■ Even aficionados of the Personal columns of the Daily Telegraph could be excused a degree of puzzlement at the abbreviation CIB which appeared against four of yesterday's 11 entries.

Alongside expressions of deep gratitude to St Jude for lending a hand "once again" in some undisclosed enterprise, as well as the daily reading courtesy of the Bible Society, were a selection of messages targeted at Westminster's Eurosceptics and anyone else whose eyesight was up to it. "Speak for us, don't flinch, kill treaty". "Unelected Euro-bureaucracy abhored", and other such subtle morale boosters.

The Campaign for an Independent Britain's honorary secretary, Sir Robin Williams, agrees that it is "not our normal way of promoting ourselves".

But, lacking a comfortable supply of central funds, the 2,300 plus membership is "encouraged to shoot off ammunition at any target they can think of".

Denied a referendum on Maastricht, some members apparently felt strongly enough to finance personally their three-line entries.

Not previously alerted to the fruits of his branches' labour, Sir Robin's response, when told that the entries were flanked by an appeal from a jilted lover, was heartfelt.

"It really is forlorn that sort of advertisement, don't you think?"

Bull talk

■ As investment manager Draycott Partners points out in its latest newsletter, a hitherto unremarked aspect of the spectacular rise in Polish equity prices (up 175 per cent in the second quarter) is the stock market's unusual make-up. How many other bourses can boast a ratio of accredited stockbrokers to quoted stocks of 29:18?

Not cricket

■ Mere heart surgery will not be a sufficient excuse for MPs to miss tonight's Commons vote on Maastricht's social chapter, about which CIB, and others, are so exercised. Bob Parry, Labour MP for Liverpool Riverside, has said he will travel to London, in spite of recovering from a quadruple by-pass operation.

On the government side, ailing cabinet ministers Michael Heseltine and John Patten will of course also rise from their sick beds. Only a Eurosceptic could stay tucked up under the sheets safe from the whips' attentions.

Meanwhile, the fit in body, of whichever political persuasion, will be aware of one unappealing consequence of a Conservative

'Anything you say will be taken down and used in evidence to pay me'

trouncing. With an Anglo-French government summit set for Monday, the confidence motion that Labour would demand were John Major to lose would almost certainly have to be debated tomorrow – completely disrupting the planned annual cricket match between MPs and political journalists.

Off the hook

■ Let's hear no more carping from bankers about the Pacific hagfish. The scales of justice have at last proved it innocent.

Pacific hagfish is the source of "eel skin leather" used to make wallets, which has been blamed for damaging the magnetic strips on credit cards. But though the allegation has been swallowed hook, line and sinker by banks' customer service staff, they caught a tartar in passing it on to Edward Melvin.

An American biologist with special research interests in the hagfish, he promptly investigated. The rumour just doesn't hold water, he now says. The real culprit is the magnetic clasps fitted to many eel-skin wallets.

Diplomatic?

■ Few if any Japanese diplomats have vaulted as effortlessly over cultural barriers as did Kazuo Chiba, Japan's ambassador in London from 1988-91. Mastering even the self-deprecating after-dinner funny, he is remembered affectionately by many.

Now freed from what he calls his "sanitised" diplomatic persona, Chiba exceeded even his admirers' expectations yesterday when he launched a pamphlet on EC-Japanese trade relations, co-produced by the Royal Institute of International Affairs and its Japanese opposite number.

First, he set himself a tongue-twister few other Japanese would attempt, by using "irrelevant" and "irreverent" in the same sentence.

Then he recalled how former French prime minister Edith Cresson had insisted on telling Arthur Dunkel, the previous Gatt director general, in Chiba's presence that *"les Japonais trichent, je le sais"*, not realising that he understood French.

And finally be asserted that Karel van Wolferen, author of The Enigma of Japanese Power, had "lived 25 years with a Japanese woman as a partner but without learning our language: no wonder he finds Japan an enigma".

After which, perhaps feeling he had overdone it just a shade, he added: "Let's forget about the 25-year partner. I understand she's a hairdresser."

Copybook case

■ "Well-briefed" badly understates the case of a candidate sitting one of the papers in the Law Society final examinations held in Leicester.

Alerted by the rustling that accompanied his movements, the invigilators discovered he had no fewer than 32 sheets of closely written notes stuffed up his jumper. Other cribs were found secreted elsewhere on his person and in his pencil case.

The subject of the paper he was sitting? One of the most common offences for which solicitors are struck off the register: mishandling of accounts.

FINANCIAL TIMES
Thursday July 22 1993

Opec faces worst crisis in seven years, says Iran

By Deborah Hargreaves in London

THE Organisation of Petroleum Exporting Countries is facing its worst crisis since 1986 when oil prices collapsed almost overnight, Mr Gholamreza Aqazadeh, the Iranian oil minister, said in Tehran.

Mr Aqazadeh was referring to the $3 a barrel fall in oil prices since May because of over-production by member countries and the threat of an Iraqi return to the oil market. In 1986 prices fell from $30 a barrel to about $15 within a few days because of over-production.

Opec has called an emergency meeting for next Wednesday to try to calm the market.

Baghdad has been discussing with the United Nations a possible one-off oil sale worth $1.6bn. But traders think progress with Iraq on other weapons monitoring issues could herald a wider lifting of sanctions and a partial return to the export market.

Mr Aqazadeh, speaking on Tehran radio, said Opec must accommodate Iraq within the existing production ceiling and that Kuwait should be persuaded to sign the conference resolution.

Opec's last meeting broke up when Kuwait refused to sign the producers' club accord to restrain output and said it would prime its own taps to produce as much oil as it could.

Mr Jean Ping, Gabon's oil minister and current Opec president, held talks in London yesterday with his Kuwaiti counterpart, Mr Ali Ahmed al-Baghli, in an effort to persuade him to delay the emirate's production increase.

Oil prices edged up by 25 cents to close at $16.85 a barrel in London trading in response to Kuwait's apparent willingness to re-enter Opec's fold. Mr al-Baghli said he might put off his demand for a quota increase to 2.16m barrels a day (b/d) until October if other members curbed their own production.

Kuwait is currently producing about 1.7m to 1.8m b/d and had been planning to boost output by about 100,000 b/d up to the end of September.

Other members are also ignoring their quotas and the organisation as a whole is producing between 24.3m and 24.5m b/d compared with a ceiling of 23.6m b/d set at the last meeting. Mr Ping must try to reinforce production discipline or at least to build a consensus for action to be taken at the next meeting.

His next stop on a tour of the Middle East is Saudi Arabia where he will hold talks with Mr Hisham Nazer, oil minster of Opec's largest producer, whose support is vital to any deal.

In the meantime, the oil market remains nervous but fairly quiet with prices likely to be extremely volatile.

Major in last plea on Maastricht treaty

By Philip Stephens, Political Editor, in London

MR JOHN MAJOR, the British prime minister, will today stake his political authority on a plea to anti-Europe rebels in the Conservative party to vote against the Maastricht treaty's social chapter and end the party's year-long civil war over Maastricht.

Mr Major has said that Britain will not ratify the treaty if it includes the social chapter. Conservatives opposed to greater European union believe that by voting for the chapter's inclusion they can halt the ratification process altogether.

But last night the outcome of today's crucial House of Commons debate on the treaty remained clouded in uncertainty, with both sides claiming enough support to ensure victory when MPs vote at 10pm this evening.

The tortuous ratification process also took another extraordinary twist when Miss Betty Boothroyd, the Speaker of the House of Commons, delivered a sharp warning to the courts not to interfere.

In response to representations from Mr Tony Benn, a Labour opposition MP, about the court action against Maastricht ratification launched by Lord Rees-Mogg, she strongly defended the sovereignty of parliament.

Citing the 1689 Glorious Revolution Bill of Rights – which asserts the sovereignty of parliament – she said she took "with great seriousness" any potential questioning in the courts of proceedings in the Commons.

As party managers counted pledges, the bald arithmetic appeared still to point to a government defeat in tonight's separate Commons vote. Ministers were also warning that the government would press ahead with ratification even if defeated.

About a dozen Conservative "Eurosceptics" said they were committed to the join the Labour and Liberal Democrat parties in voting for an opposition amendment which would prevent ratification unless and until the government accepted the social chapter. Up to a dozen more said they planned to abstain rather than support the government in the hope that a Labour victory would derail the ratification process.

Those figures suggested that unless he makes a deal to win the support of the the nine Ulster Unionist MPs before tonight's vote, Mr Major's majority of 18 will be wiped out by the combined opposition.

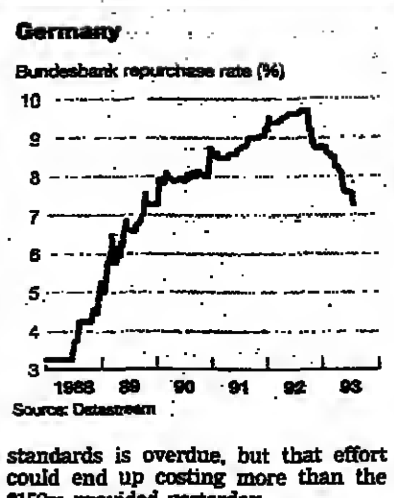
But speculation that the government would do such a deal intensified last night when Mr Major publicly raised the possibility of negotiating a new Anglo-Irish agreement.

Senior ministers also took comfort from a handful of defections from the Eurosceptic camp, suggesting that as on a previous occasion last autumn the rebellion might just crumble in the final hours before the vote.

THE LEX COLUMN

Coal's black future

FT-SE Index: 2814.1 (-9.8)



It is hard not to feel a pang of sympathy for British Coal's management. The corporation has made striking productivity improvements in recent years without compromising safety. Overhead costs have been halved over the past four years while colliery costs per tonne have fallen by 41 per cent in real terms since 1985. Yet, as its annual results make clear, British Coal still has a huge way to go before it could become a viable private sector enterprise. Every move towards that goal, meanwhile, is picked apart in the political piranha pool.

Undoubtedly, the more savagely the government allows British Coal to cut capacity, the easier it will be to privatise the remainder. While its main supply contracts remain in place until 1998, there is a profitable seam of British Coal assets which could feasibly be sold. The snag is it may take no more than a dozen pits to supply the electricity generators' needs, given that 33m tonnes of surplus coal already sits in their stockyards. This, though, would entail an even more drastic pit closure programme than the one the government originally balked at. Moreover, after 1998 the risks will multiply enormously. It will be difficult to negotiate a contract with the generators on repeat terms; near-impossible to compete freely with overseas open-cast coal.

British Coal has made a reasonable fist of managing the orderly decline of the coal industry. The government will not find it easy to persuade anyone in the private sector to pay to take it on.

Northern Telecom

Northern Telecom's foray into Europe always looked badly timed. By writing down the value of its investment in STC the company has admitted as much. Price erosion in the US is the main culprit behind yesterday's second-quarter trading loss, but conditions in Europe have scarcely been better since Nortel took a shine to STC in 1990. Having failed to build a bridgehead in continental Europe as well, it has been if anything more exposed than the indigenous competition.

While Nortel's overseas business will bear its share of restructuring, though, restoring North America to profit will be the priority. Cutting costs is an obvious first move. Making up lost ground in product and service standards may prove more challenging. The drive to improve software standards is overdue, but that effort could end up costing more than the $158m provided yesterday.

On that basis, the decision to sell STC's submarine cables business makes perfect sense. Despite turning in decent profits, the business was never much of a fit with Nortel's interests in switching and transmission equipment. Disposal should bring in more than enough to cover the cash costs of restructuring and software development. Always assuming, that is, that the competition authorities in London and Brussels are happy to see Alcatel leap-frog AT&T to take the lead in submarine cables.

Currencies

If the French authorities are looking for lower German interest rates to support the franc, they will not have had much encouragement from yesterday's money supply figures. An M3 growth rate over 7 per cent leaves the Bundesbank little leeway to relax without losing credibility.

The bank could point to the strength of the D-Mark and Germany's low bond yields as mitigating worry about inflation. It also notes that consumer prices, which rose 4.2 per cent in the year to June, are a lagging indicator. But higher insurance premiums mean July's figure, due next week, will again be high. That will make it even harder for the bank to lower rates before the summer holidays.

Since the bank's money market repurchase rate is now only 40 basis points above the discount rate, there is not even much scope for the kind of piecemeal easing which has now become familiar. Besides, foreign exchange markets increasingly consider that France's economic problems call for more than the mere establishment of a slow downward trend in European interest rates. Since the franc is at the bottom of the system, Germany could place the onus on France to follow Denmark in raising rates if its currency hit the floor. But France could then end up looking as silly as the UK did last September.

S.G. Warburg

After its abortive approach to the market last month, S.G. Warburg had to ensure that any fresh attempt to raise capital was a conspicuous success. Hence yesterday's £91m convertible bond issue was attractively priced and targetted more to continental investors than the City institutions who snubbed it in the first place. The fact that Warburg has persevered underlines a need for additional comfort where capital is concerned.

Warburg does not publish its BIS ratios and says with astonishing candour that the measure it does publish – shareholders' funds as a percentage of year-end assets – is not very meaningful. But the ratio did fall to 4.6 per cent from 5.9 per cent last year.

The new capital will also give Warburg flexibility in trading on its own account. Notwithstanding the lavish fees it can expect to earn from BT3 and corporate clients from Zeneca to Richemont, Warburg must focus more on trading to improve on its woefully inadequate rates of return. The danger, highlighted by yesterday's Group of 30 report on derivatives, is that such a strategy also involves increased risk. One has to hope Warburg has learned the lessons from last year's losses in the bond market.

Zeneca

Zeneca would doubtless prefer to see its shares back above the 600p rights price before announcing its first results as an independent company. But even an upbeat message and a solid set of figures next week is unlikely to give the market more than fleeting encouragement. The 4 per cent fall in the shares this week – without good reason other than another bout of nerves about the outlook for the pharmaceuticals sector – underlines that deeper forces are at work. The company owes Lady Luck at least a vote of thanks for making sure the downward lurch did not happen during the rights period.

Bosnian peace envoys call 'final' round of negotiations

By Laura Silber in Belgrade

INTERNATIONAL mediators Lord Owen and Mr Thorvald Stoltenberg yesterday summoned the leaders of Bosnia's three warring factions to Geneva on Friday for what they say will be a final round of peace negotiations.

Bosnian president Alija Izetbegovic, who initially said he would boycott the talks, later indicated that he would attend.

In an effort to highlight the urgency of the Geneva meeting on the republic's ethnic partition, the letter from the peace envoys warned: "The death, destruction and suffering now taking place in Bosnia .... makes us both shudder for the future of your country."

The letter pledged to identify publicly any parties responsible for resuming "hostilities" or impeding humanitarian relief, but these assurances were thought unlikely to reassure the Bosnian leadership.

In a statement issued by the Bosnian embassy in Zagreb, Mr Izetbegovic yesterday repeated his refusal to go to the talks while Croatian forces blocked tonnes of humanitarian relief.

Serb forces meanwhile continued to press forward on Mount Igman, a key defence point for south-western Sarajevo. "The battle for Igman is the fight for all of Bosnia," said Bosnian radio. Lord Owen yesterday called the fighting over Mount Igman "slightly over-reported".

Serb forces are using at least 40 tanks in their assault on Igman, which is reported to be under the personal command of General Ratko Mladic, commander of Bosnian Serb forces.

If Serb forces succeed in taking Mount Igman, they could advance up to the River Miljacka, which runs through Sarajevo. Mr Radovan Karadzic, the Bosnian Serb leader, has said that the Serbs want to divide the city along the Miljacka.

Serbian and Bosnian media yesterday reported heavy clashes around Brcko in north-eastern Bosnia. Sarajevo radio said nine people were killed, including a three-year old boy, and 15 wounded in an artillery attack on the 40-mile front line.

It said Serb forces had sent 31 tanks and 40 armoured vehicles around Gorazde for their attack on the Moslem enclave proclaimed a UN "safe area".

In Mostar, in the south, Croat-held radio broadcast information each hour on how Moslems can travel abroad, said Sarajevo radio in what it called proof of "ethnic cleansing" by Croats.

Peres tries to unblock talks

Continued from Page 1

need an agreement on borders which could only be drawn up after an interim period of confidence building. "We can talk about final status now without defining it," he said.

Mr Peres restated that the government would not offer any new compromise over Arab East Jerusalem.

Mr Peres said the government was still waiting for a Syrian commitment to full peace before specifying how far it was prepared to withdraw from the occupied Golan Heights. However, he said he believed President Hafez al-Assad was preparing the Syrian public for full peace.

EBRD to drop claims as Attali waives final fee

Continued from Page 1

prestigious figure who might appeal to Anglo-Saxons, the French and Germans as well as eastern Europeans.

The Germans are believed not to have put forward their own candidate in case this would undermine their campaign to have the European central bank located in Frankfurt.

The British are believed to be supporting the French candidacy in return for a previous agreement to locate the bank in London. However, some east European countries have argued that they have a moral right to see an east European in the post.

The list of candidates will now be put to the 56 board members, representing 54 countries. The votes will be weighted according to the number of shares each country holds. The successful candidate will needs to win both a majority among the board of governors and a majority of the shares held.

The result of the vote, which will be conducted by post, is expected within 21 days, when Mrs Anne Wibble, chairman of the board of governors, will announce the new president.

The bank yesterday said it was were keen the new president should assume his duties "as quickly as possible".

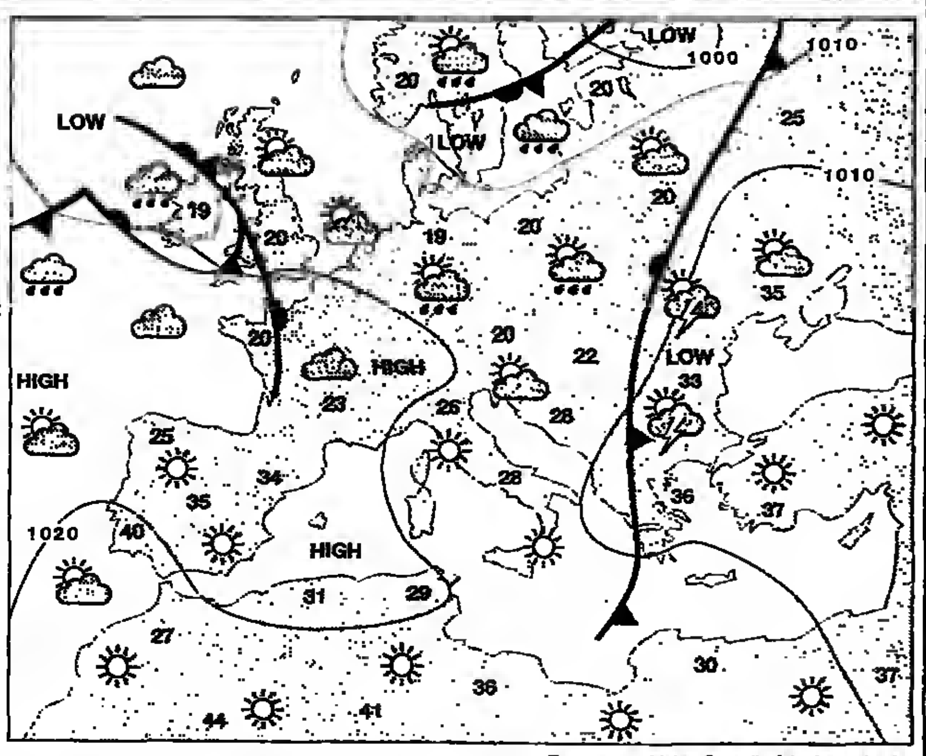
FT WORLD WEATHER

Europe today

There will be a pause in the flow of unseasonably cold air across the continent allowing conditions to temporarily improve, especially in western Europe. However, a new outbreak of colder weather is expected by the weekend. Sunny spells and mainly dry conditions will prevail today in the Benelux countries and Denmark. Sun and fierce heat will persist in the Mediterranean area with temperatures in Spain reaching 40C. Over Eastern Europe, unsettled conditions will persist near a front. Heavy thundery showers will fall, especially in the northern Balkan states. Just west of the front, temperatures will not exceed 22C, while east of it temperatures will reach 33C-37C.

Five-day forecast

The disturbance west of Scotland today will strengthen and move slowly east, drawing another surge of colder air over the continent. Rain and drizzle will reach Denmark, the Benelux countries and France by Friday. By Saturday, rainy conditions will have moved to the region around the Alps causing temperatures to drop further. Behind the steady rain, cold and unstable air will flow in from over the north Atlantic, causing thundery showers over most of the UK and the continent.



Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

		Maximum Celsius
Abu Dhabi	fair	44
Accra	cloudy	28
Algiers	fair	31
Amsterdam	cloudy	19
Athens	fair	36
Bangkok	shower	35
Barcelona	sun	28
Beijing	fair	28
Belfast	drzzl	17
Belgrade	thund	22
Berlin	shower	19
Bermuda	fair	29
Birmingham	rain	18
Bogota	shower	19
Bombay	rain	30
Bordeaux	fair	23
Brussels	cloudy	19
Budapest	fair	22
Buenos Aires	cloudy	17
Cairo	sun	37
Cape Town	fair	20
Caracas	fair	27
Chicago	fair	27
Cologne	shower	20
Copenhagen	shower	18
D' Salaam	shower	26
Dakar	fair	30
Dallas	sun	36
Darwin	fair	31
Delhi	shower	33
Dubai	sun	44
Dublin	rain	19
Dubrovnik	fair	24
Edinburgh	fair	18
Faro	sun	34
Frankfurt	shower	22
Geneva	fair	22
Glasgow	drzzl	17
Hamburg	fair	18
Helsinki	fair	21
Hong Kong	thund	32
Honolulu	fair	31
Isle of Man	rain	18
Istanbul	sun	32
Jersey	cloudy	18
Karachi	cloudy	34
Kuwait	sun	47
La Paz	fair	18
Las Palmas	fair	26
Lisbon	sun	37
London	cloudy	20
Los Angeles	cloudy	25
Luxembourg	fair	18
Lyon	fair	24
Madeira	fair	26
Madrid	sun	35
Majorca	fair	30
Malta	sun	32
Manchester	rain	17
Manila	cloudy	33
Melbourne	shower	15
Mexico City	shower	22
Miami	fair	33
Milan	fair	26
Montreal	fair	23
Moscow	fair	22
Munich	fair	21
Nairobi	cloudy	21
Naples	sun	26
Nassau	shower	32
New York	fair	29
Nice	fair	25
Nicosia	sun	36
Oslo	rain	20
Paris	cloudy	20
Perth	cloudy	15
Prague	fair	19
R' de Janeiro	shower	25
Rangoon	cloudy	31
Reykjavik	cloudy	14
Riyadh	sun	44
Rome	sun	29
S' Francisco	fair	26
Seoul	fair	27
Singapore	shower	31
Stockholm	rain	20
Strasbourg	fair	23
Sydney	fair	18
Tel Aviv	sun	33
Tokyo	cloudy	24
Toronto	fair	24
Tunis	sun	29
Vancouver	fair	20
Venice	fair	25
Vienna	fair	21
Warsaw	fair	20
Washington	sun	29
Wellington	cloudy	11
Winnipeg	shower	22
Zurich	fair	21

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday July 22 1993

INSIDE

Saab sees return to profit next year

Saab said it saw the possibility of a return to profit next year for the first time since General Motors of the US bought a half-share in the company in 1989. The company was launching its 900 model, designed to compete against the Mercedes C class, the BMW 3-Series and the Audi 80. Page 12

German bank flooded with cash

Mr Karl Otto Pöhl, former president of the Bundesbank, has been made part-time chief executive of Sal. Oppenheim, a German private bank. The bank has so much money it doesn't quite know what to do with it. Page 12

GTE held back by charge

GTE, the largest local telecommunications group in the US, reported a 6 per cent rise in second quarter net income. However, it was held back by a $74m pre-tax charge for job cuts. Page 13

Underwater cable link-up

Alcatel-Alsthom has agreed to buy STC Submarine Systems, the UK-based underwater cable business from Canada's Northern Telecom, for about £600m ($899m). The acquisition will form part of Alcatel Cable, creating the world's largest underwater telecommunications cable group. Page 14

Miners' strike hits Hanson

Hanson, the Anglo-American conglomerate, said the US miners' strike had cost its Peabody subsidiary £29m ($44m) in the three months to June 30 and warned of closures of some mines. Page 16

Medeva eschews acquisitions

Medeva, the UK drugs company that suffered a halving in its share price on Monday, said it will eschew "further major acquisitions" for the time being. Page 16

Eve rises above recession

Pre-tax profits at Eve Group, the UK specialist contractor, jumped 27 per cent to £4.15m ($6.3m) in spite of the "worst construction industry recession for half a century". Page 16

Changing taste for Chinese food

The urban Chinese are changing their eating habits that could make China one of the biggest markets for feed grain and a net importer by the end of the century. Page 20

Emerging markets slip down

Many of the world's emerging markets suffered modest falls last week, with Brazil slipping 4 per cent in dollar terms. However, Indonesia has shown a strong performance in dollar terms since January - the market has rallied by 30 per cent. Back Page

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)				**PARIS (FFr)**			
Rises				Rises			
BHF Bank	454	+	9	Docks de France	540	+	17
Falls				Fromageries Bel	4520	+	160
Colonia Konzn Pf	785	-	20	Gaumont (Sc A)	499	+	19
Degussa	380	-	6.5	Falls			
GEHE	352.5	-	8.5	Cap Gemini S	181.8	-	4.3
Lufthansa	130.5	-	3.5	Gal Lafayette	1605	-	60
Thyssen	206	-	7.5	Pernod Ricard	375	-	11.7
NEW YORK ($)				**TOKYO (Yen)**			
Rises				Rises			
AMR	65	+	1¼	Aska Corp	519	+	19
Compaq Computer	49	+	3⅛	Sagami Tekkii	1030	+	46
USAir	16⅝	+	⅝	Izumiya	1780	+	60
Falls				Falls			
Apple Computer	26	-	⅞	Daido Steel	548	-	16
Intel	50⅝	-	1¼	NOK Corp	743	-	29
Philip Morris	47⅝	-	1	Nintendo	9320	-	280

New York prices at 12:30.

LONDON (Pence)							
Rises				VSEL	860	+	27
Alld	172	+	6	Falls			
Arlen	37	+	3	Airsprung	475	-	13
Borland	1425	+	75	BritAerospace	383	-	12
Eve Group	400	+	23	Densitron	34	-	5
Fairoak	323	+	31	Dunhill	340	-	27
Glaxo (MJ)	813	+	35	Medeva	103	-	6½
Mortala Elec	172	+	15	Renishaw	240	-	34
Ramsden's	178	+	8	Sage Group	385	-	19
Reliance Sec	123	+	6	Tiphook	197	-	16
Scantronic	76	+	4	U Friendly B	683	-	20
Silverplates	35	+	6				
TDS Circuits	13	+	2½				

Northern Telecom takes $1bn hit

By Bernard Simon in Toronto

NORTHERN Telecom has outlined a massive restructuring plan in the hope of correcting deep-seated problems in its global telecommunications equipment business.

Announcing a second-quarter loss of more than $1bn, the Toronto-based company said it was selling its submarine systems division to Alcatel of France; cutting its workforce by 9 per cent; launching a drive to improve its troubled digital-switching software; and taking a $500m writedown on its investment in STC, the UK telecommunications group which it bought two years ago.

Mr Jean Monty, who took over as chief executive earlier this year, said: "It's good to bring it all at the same time and make sure that we have nothing to hide. We're tackling the issues head on and are going to deal with them."

The writedown at STC amounts to almost a third of the $1.8bn of goodwill established at the time of its acquisition by Northern in March 1991.

Mr Monty said that the investment in STC "has not lived up to expectations in the short-term".

Weak economic growth in Europe has hit sales and earnings of the STC businesses, which are now integrated into Northern's own operations. But Mr Monty said that the writedown and the sale of the submarine business "does not detract from our determination to penetrate the European market".

The company has set aside $158m for a project to improve the software used in its central-office switches, the computers which route telephone calls. A compartmentalised team of more than 1,000 people has been set up to produce a platform for new software features. The new products are due out in 1995.

The extent of Northern's problems is evident in its financial performance. It suffered a second-quarter loss even before the $940m after-tax special charges, and has raised the possibility of another loss in the third quarter. The loss before the extraordinary items was $88m, or 36 cents a share, compared with earnings of $72.3m, or 28 cents a share, a year earlier. After special charges, the loss was $1.03bn, or 28 cents a share. Revenues dropped 4 per cent to $1.87bn. Gross margins slumped to 30.8 per cent of revenues from 39 per cent last year.

The biggest drop in revenues and margins was in central-office switches. Price competition is intense, especially in North America and Europe. Sales of switching software also fell. Mr Monty described the second-quarter operating results as "extremely disappointing and unacceptable". Investors shared his opinion, driving Northern's share price down by $1.50 on the New York Stock Exchange to $23 at midday yesterday.

Lex, Page 10
Alcatel-Alsthom deal, Page 14

Compaq earnings triple on PC gains

By Louise Kehoe in San Francisco

COMPAQ Computer's earnings more than tripled in the second quarter as the company gained ground on competitors in the personal computer market.

The group also reported record sales for the fourth consecutive quarter. Second quarter sales rose to $1.63bn, a 97 per cent advance on the $827m for the same period last year.

Net income rose to $102m, or $1.21 per share, at the upper end of analysts' estimates. In the same period last year, net income was $29m, or 35 cents per share.

"With this record-breaking performance, we are continuing to move Compaq towards our goal of becoming the number one PC manufacturer in the world," said Mr Eckhard Pfeiffer, president and chief executive. Compaq ranks number three behind International Business Machines and Apple Computer.

The group said its share of the world market increased. Unit shipments were roughly 150 per cent up on the second quarter of 1992, while worldwide PC market unit shipments rose about 25 per cent.

European revenues rose 58 per cent in the quarter, Compaq said, making it the slowest growth market for the company.

Operating expenses increased substantially, with cost of sales jumping to $1.2bn from $577m in the second quarter last year, reflecting the increased sales volume.

Compaq said it had raised spending on expanding its distribution channels, research and development and advertising. "These increased expenditures represent a strategic investment to reach a greater number of customers with a broader range of products," the company said.

In late 1991, Compaq abandoned its "premium pricing" and initiated an aggressive pricing strategy for market share. Since then the company has launched a broad range of low-priced PCs, sparking a price war.

Later this year, the company will introduce powerful "servers" for use in PC networks, as well as PCs aimed at customers in the small office and consumer market segments.

For the first half, Compaq reported net income of $204.6m, or $2.44 per share, compared with $74.3m, or 88 cents, in the first half of 1992. Revenues jumped to $3.2bn from $1.6bn.

USAir and AMR move back into the black

By Richard Waters in New York

TWO of the biggest US airlines, USAir and AMR, owner of American Airlines, struggled back into profit in the second quarter of this year after the effects of a prolonged price war and recession in their home market.

However, both companies said their results were disappointing, and Mr Robert Crandall, AMR chairman, called current profit margins "wholly inadequate".

He added that AMR's revenues and costs remained "clearly out of balance. Absent either stronger levels of demand or higher yields, present trends will not result in satisfactory earnings."

Mr Seth Schofield, president of USAir, said his company was "encouraged" by its improvement in operating income, but added: "We are disappointed that our earlier expectations for the second quarter did not materialise due to sluggish economic conditions."

The results of both companies were ahead of analysts' expectations, and helped to push up their shares.

Mr Kevin Murphy, an analyst at Morgan Stanley, said: "It's an improvement after last year's devastating fare wars, but they're still not operating in full recovery mode."

AMR reported net earnings of $47m, or 39 cents a share, after taking a $79m charge for the retirement of 31 DC-10 aircraft and an adjustment which added $67m to passenger revenues.

Leaving aside these factors, earnings were $59m, 55 cents a share, from a loss of $65m, or 36 cents a share, on a comparable basis in the 1992 quarter.

For the half year as a whole, net earnings were $25m, compared with a net loss of $175m in the first six months of 1992.

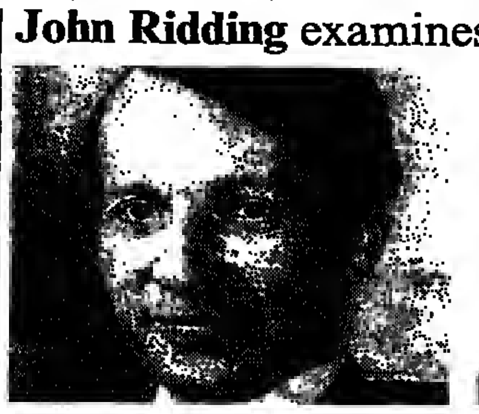
Revenues in the second quarter reached $4.21bn, up from $3.59bn, while the company's yield (the average paid by each passenger to fly one mile) rose by nearly 11 per cent to 13.77 cents (13.31 cents before the one-off revenue adjustment.) Operating costs climbed by 8 per cent, to $3.85bn.

USAir, in which British Airways has a minority stake, reported net income of $5.8m in the three months to the end of June, compared with a loss of $131m in the same period in 1992 - though this was reduced to a $12.6m after the cost of paying dividends on preference shares.

The loss per share, after the preference dividend, was 23 cents (from $3.07 a year before).

Revenues advanced by 7 per cent, to $1.815bn, while operating expenses fell by nearly 10 per cent, to $1.75bn. The half-year net loss was $72.1m, compared with $224.9m in the first half of 1992

John Ridding examines the first bites at the privatisation menu



BNP
Michel Pébereau
Chairman Banque Nationale de Paris
Estimated value of state's 73% holding: FFr 26-29bn

Loïk Le Floch-Prigent
Chairman Elf-Aquitaine
Estimated value of state's 51.4% holding: FFr 40-50bn

Jean-René Fourtou
Chief executive Rhône-Poulenc
Estimated value of state's 43% holding: FFr 12.5-15bn

France starts with the cream

THE handful of companies chosen yesterday to launch France's ambitious privatisation campaign this autumn suggests the government is keen to do the easy bit first.

Its strategy is to achieve a smooth start to the sale of the 21 companies named in its privatisation programme, while maximising receipts to the state. The companies selected yesterday - among the most attractive assets in the state's industrial portfolio and with potential combined receipts of FFr77.5bn-FFr94bn ($16.bn) - are likely to represent the best chance of success.

Elf-Aquitaine, the country's biggest industrial company and one of the world's largest oil groups, Rhône-Poulenc, one of the largest international chemicals companies, and BNP, one of the country's biggest banks, are the principal companies in the first batch for the privatisation block.

Banque Hervet, a relatively small retail bank with an estimated market value of about FFr1bn was the fourth company on the list. The state insurance groups, UAP and AGF, which had been tipped to be part of the first group were omitted, a reflection of the current difficulties of the French insurance market.

The three principal groups are familiar to domestic and international investors. They all have quotations on the Paris bourse, following the issue of shares and certificats d'investissment (a non-voting preference share). This will facilitate the task of pricing the issues.

With the exception of Elf, they have existing shareholders which could provide the basis for a "noyau dur" - a core of stable investors. The inclusion of BNP may prepare it to be a core shareholder in other privatised groups.

"This is pretty much the cream of the state sector," said one merchant banker in Paris. "The problems will come further down the list."

For the moment, however, the effects of recession in France and difficulties in some of their sectors may have given the cream a slightly sour taste.

Mr Loïk Le Floch-Prigent, chairman of Elf, has warned of a 25 per cent fall in operating profits in the first half of the year - the result of weakness in the basic chemicals market and of sharp price falls in fertilisers. "The major difference from the previous period is that these businesses took a sharp move downwards and we didn't have the opportunity to compensate with other areas," Mr Floch-Prigent said yesterday.

Similarly, Mr Michel Pébereau, who took over as chairman of BNP in May, warned last month of a substantial fall in profits for the first six months of the year. Faced with a sharp increase in small business failures and the depressed property market, profits are expected to fall to FFr500m-FFr550m in the first half, compared with FFr1.33bn.

Rhône-Poulenc is confronted with what Mr Jean-Pierre Tirouflet, its finance director, describes as "one of the most serious crises in the chemicals industry in recent history".

But the various candidates have been implementing restructuring programmes which, according to industry analysts, has strengthened their operations and leaves them well placed to benefit when economic conditions improve.

Since Mr Floch-Prigent was appointed chairman in 1989, Elf has expanded its downstream activities through a series of acquisitions. These include the UK assets of Amoco and Occidental. Under Mr Jean-René Fourtou, Rhône-Poulenc has reduced its exposure to the troubled fibres sector and base chemicals and expanded its presence in higher value products such as pharmaceuticals.

BNP has embarked on a cost-cutting programmes and has been quicker than most of its French counterparts to provide for bad loans.

As a result of their various strategies the groups believe the worst is over. Analysts expect Rhône-Poulenc's net profits to increase from FFr1.5bn in 1992 to FFr1.8bn this year. Elf is expected to see some recovery in healthcare and to have a lower interest bill because of reduced rates.

The various groups have been busily preparing themselves for sale. Rhône-Poulenc has made a series of disposals to reduce a debt:equity ratio of 80 per cent at the end of last year. Earlier this month, for example, it sold its 35 per cent stake in Roussel-Uclaf, the speciality chemicals business for about FFr4.5bn.

At BNP, Mr Pébereau has brought his experience of privatisation from Crédit Commercial de France, which was successfully sold under the previous conservative government in 1987. Yesterday, Elf reduced the minimum number of shares that investors can buy from 100 to 10. For the French retail investor, a stake in the oil group would now cost about FFr4,000 compared with FFr40,000.

The French government is confident of adequate domestic demand. Officials cite the success of the Balladur bond, issued earlier this month. The bond, which is convertible into equity in privatisation issues, attracted FFr110bn, almost three times the target amount.

Ultimately, of course, the appetite for privatisation shares will depend on the price. But with trickier propositions further down the list - such as Bull, the indebted computer manufacturer, and Usinor Sacilor, the loss-making steel producer - the government will be keen to ensure that the price is right for the first on the block.

Trailblazers

	1990	1991	1992
Elf-Aquitaine (employees 1992: 87,922)			
Sales	175.5bn.	200.7bn.	200.6bn.
Net profits	10.6bn.	9.8bn.	6.2bn.
Rhône-Poulenc (employees 1992: 83,283)			
Sales	78.4bn.	83.8bn.	81.7bn.
Net income	1.1bn.	1.2bn.	1.5bn.
Banque Nationale de Paris (employees 1992: 56,364)			
Net profit	1.6bn.	2.94bn.	2.17bn.
Total loans	760bn.	802bn.	830bn.

Lonrho to raise DM282.5m from sale to Krupp-Hoesch

By Andrew Bolger in London

LONRHO, the international trading group, will receive DM282.5m ($164.2m) for its 50 per cent stake in the trading company which it owns jointly with Krupp-Hoesch, the recently merged German steel and engineering group.

The German group has agreed to buy out the stake which Lonrho acquired from Krupp in 1988 for DM200m. Shares in Lonrho rose 1¼p to close at 130½p after it announced the deal, which will cut the UK group's gearing from 35 to 27 per cent.

Mr Dieter Bock, Lonrho's joint chief executive, said no more significant disposals were planned. The group has reduced its debt from more than £1bn ($1.5bn) a year ago to about £480m by selling property in Germany and its newspapers and Volkswagen/Audi sales operation in the UK.

Lonrho had been approached by Krupp-Hoesch, which was formed by the merger last year of Germany's second and third-largest steel producers. Mr Bock said the enlarged group wanted to expand the trading arm, which would have required a big injection of capital from Lonrho to maintain its stake - "basically, it was worth more to them than to us".

Although Mr Bock would like to focus Lonrho on three main business areas - mining, hotels and agriculture - he said the group would continue to be involved in trading activities such as motors - particularly in Africa, where there was scope for joint ventures.

Lonrho's shares fell to a low of 59p last year after the group announced the controversial sale of a stake in its Metropole Hotels group to the Libyan government.

Mr Bock has acquired 18.8 per cent of the company after paying Mr Tiny Roland, Lonrho's chief executive and driving force, a premium 115p per share for half of his 15 per cent stake in December, and then supporting a rights issue.

Mr Bock, a property developer and hotel owner, was confident of announcing the appointment of two or three impressive non-executive directors by the end of the year.

He controls private companies registered in Germany and the Netherlands, and said he was well known to Deutsche Bank.

Mr Bock is working almost full-time on Lonrho business, but has not started to draw a salary.

Saab sees possible return to profitability next year

By Hugh Carnegy in Trollhättan

SAAB Automobile, launching its all-important 900 model, said yesterday it saw the possibility of a return to profit next year for the first time since General Motors of the US bought a half-share in the company in 1989.

Mr Keith Butler-Wheelhouse, the Briton brought in by GM last year to head Sweden's traditional rival to Volvo, declined to make a firm forecast, warning that the gloomy outlook in world car markets, especially in Europe, where sales have slumped 17 per cent this year, continued to cloud Saab's prospects.

But, he added, "I prefer to say that wa have brought down the break-even point for the company to about 80,000 units sold per year and we intend to sell significantly more than that next year. So if nothing else changes we should be in the black next year."

Mr Butler-Wheelhouse acknowledged that the success of tha new 900, which will compete against the Mercedes C class, the BMW 3-series and the Audi 80, was vital for Saab, which in the past four years has accumulated losses of more than SKr10bn ($1.25bn) and swallowed a further SKr8bn in two capital injections by GM and its Swedish co-owner, Saab-Scania.

He insisted that Saab was not in a "do or die" position. He said even if sales did not hit the high levels Saab hoped for, the company had the funds and the support of GM and Saab-Scania to continue to develop its next new model, an upgrade of the luxury 9000 car, due within five years.

Mr John Fleming, marketing chief, said Saab had set a sales target of 45,000 cars in the first year for the 900. The new car is a complete re-vamp of the old 900 based on many Opel/Vauxhall components but with a distinctive body styling and additional engineering to give it a clear Saab identity.

Saab said the new model cost SKr4.5bn and took 3½ years to develop. Savings from the link with GM were put at 30 per cent. Mr Fleming said the car would be priced slightly below its main rivals.

The chief worry for Saab is the steep decline in its main markets. It sold only 35,800 cars in first half of the year, compared with 86,800 in all of 1992 and 109,500 in 1989. Sales in the US – its biggest market – and Europe were down nearly 30 per cent. In Sweden, Saab is battling against a slump which has seen overall car sales fall from a peak of 340,000 in 1988 to an expected 130,000 this year.

The 900 will sell hard on Saab's commitment to safety and low exhaust emissions as well as performance. In Sweden cars will be fitted with a "black box" to record vital data in crashes, an idea widely canvassed in the UK.

The two-litre turbo model, one of four engine types ranging from a two-litre, four-cylinder standard engine up to a 2.5-litre V6, will offer a so-called "sensonic" automatic clutch operating by touching the gear lever.

IRI gains breathing space with tax-credit windfall of L2,000bn

By Haig Simonian in Milan

IRI, Italy's biggest state holding company which has total group debts of about L73,000bn ($45.68bn), is set to receive around L2,000bn in unpaid tax credits.

The funds, part of a L3,500bn package of tax credits being reimbursed to various companies, should give the group a breathing space pending further restructuring and asset sales.

The IRI group lost L4,809bn after tax last year. Losses at many operations – notably Ilva (steel) and Iritecna (construction and general contracting) – have continued to rise, while expected privatisation receipts have so far fallen behind schedule. As a result, the group expects to lose about L5,200bn in 1993.

Details of which companies would receive the tax credits were due to be announced last night following cabinet approval this week for a decree authorising repayment.

The L3,500bn represents the second tranche of L7,500bn in tax credits authorised to be paid last March. About L4,000bn of the total has already been allocated.

IRI has already raised about L1,000bn this year by selling the dividends and tax credits on shares in some of its profitable subsidiaries over the next three years. Further funds are due from the sale of the Italgel and Cirio, Bertolli, De Rica subsidiaries of its SME foods unit.

However, the timing on the SME disposals has already slipped substantially, and may fall further behind the original schedule.

A court in Naples, SME's legal base, has still to approve the outcome of a special shareholders' meeting last month which authorised splitting the company – a vital step to privatisation.

The delay means the deadline for final offers for the two subsidiaries on sale, which has already been postponed to July 26, may have to be put back further.

● Finanziaria Ernesto Breda, the holding company controlling the defence activities of the state-owned Efim group, now in voluntary liquidation, yesterday revised its 1992 loss to L589.3bn from L539.3bn, barely a month after approving the original figure.

The revision follows new information, which only came to the attention of FEB's board this week, about possible difficulties recovering funds dne from the L255bn sales in 1991 of stakes in two defence subsidiaries.

The challenge bestowed by excess

David Waller considers Karl Otto Pöhl's role at Sal Oppenheim

A former central banker in his early sixties recently landed what may count as the perfect job: part-time chief executive of an ancient, aristocratic bank which has so much money it does not know quite what to do with it.

The man is Mr Karl Otto Pöhl, president of the Bundesbank for 12 years until July 1991, and the bank is Sal Oppenheim, the largest and one of the oldest of Germany's select breed of private banks.

"I am no big private banker," confides Mr Pöhl. "I am something of an outsider."

Outsider though he may claim to be, he looks thoroughly at home in the private banking world.

Anointed in May this year as "speaker" of the bank's elite board of personally liable managing directors, Mr Pöhl spends just over half his time on the affairs of the bank, which was founded in the year of the French revolution.

"I see myself not as chief executive of the bank but as chairman," he explains. "I chair the board meeting. I represent the bank in the outside world.

"I bring this heterogeneous troupe together," he continues, alluding to his fellow partners and to the 50 members of the Oppenheim and related families who own the bank in its entirety.

"Together with Alfie (Baron Alfred von Oppenheim chairman of the bank's supervisory board), I develop a strategy for the bank," he says.

The strategic problem is easy to identify: what to do with the Cologne-based bank's vast capital resources. With more than DM1bn ($500m) in "core" equity capital, Sal Oppenheim dwarfs fellow German private banks such as B. Metzler or Trinkaus & Burckhardt. Its balance sheet is as big as that of leading UK merchant banks such as Schroders or Kleinwort Benson, and more than twice as big as Rothschild's. But with around 700 employees, it has only a fraction of the staff of many less well-capitalised institutions.

While other German banks are struggling to comply with capital adequacy rules requiring a minimum of 4 per cent core capital, Sal Oppenheim has 12 to 13 per cent. This is down from a peak of 18 per cent after some recent acquisitions, "but it is still too high," Mr Pöhl concedes. Core capital of "DM300-DM400m would be enough for a bank of this size", he says.

Although the Oppenheims have always been prosperous, this superfluity of capital dates back only a few years, to 1989. In the bank's 200th anniversary year, it decided to sell its majority stake in the Colonia insurance company.

The proceeds of the sale to the French Victoire group have never been disclosed, but the figure is authoritatively rumoured to be in excess of DM4bn. Of this, a quarter went to the tax authorities. A further DM1bn-plus went directly to Oppenheim's 50 shareholders. The balance went to the bank and overnight core capital jumped from DM180m to more than DM1bn.

For Sal Oppenheim, the sale of the holding has ensured the bank will be able to remain independent for generations to come. Although there are formally dozens of institutions in Germany classified as private banks, most are now majority owned by larger institutions – for example, Trinkaus & Burckhardt is controlled by the Midland Bank and Schröder Münchmeyer Hengst by Lloyds Bank.

Oppenheim, owned by sixth- and seventh-generation family members, is one of the few that are totally independent: another, much smaller example is the Frankfurt-based Metzler bank, owned and managed by 11th-generation family members. But, thanks to the disposal of the Colonia stake, Oppenheim is in a class of its own.

This is underscored by the five-fold increase in the bank's core capital. This is the main measure of a bank's balance sheet power, providing the resources for future growth via new lending business. However as Mr Pöhl explains, "of course our lending business did not quintuple as well". Despite the bank's ancient business links to 90 per cent of Germany's largest companies, there was not enough good quality credit business around.

"Our future is not in classical commercial banking," Pöhl reflects, "the margins are too small. We will carry on in this area but it simply isn't the business of the future."

The search was on for a new strategy. With the help of the McKinsey consulting firm, Mr Pöhl and Baron Alfred set in motion a process of restructuring which has divided the bank's business into four main areas.

The first is straightforward commercial lending; the second, financial markets activities – including trading in currencies, equities and futures and options; the third is private client services; and the fourth is asset management for institutional investors (with more than DM20bn under management).

If this gives the bank a more rigorous structure – each of the four divisions has been made a separate profit centre for the first time in the bank's history – it does not solve the problem of how to deploy the bank's capital profitably.

Acquisitions may provide the answer: in the past two years Sal Oppenheim has bought a Zurich-based fund management company and has spent DM200m buying the Hypobank Rheinboden, a mortgage bank. But these alone do not give a new dimension to the bank's business.

Karl Otto Pöhl: 'I am something of an outsider'

One area of potential expansion is Anglo-American-style merchant banking business. "Astonishingly, in view of our corporate connections," says Mr Pöhl, "we play only a very small role in merchant banking. We want to build this one up." This may mean – although Mr Pöhl is not prepared to comment on this – buying a London-based merchant bank.

The problems of the bank which has too much money are far from pressing, and for Mr Pöhl, the search for a new direction for Sal Oppenheim is less than a full-time occupation. The former central banker spends nearly half his time outside the bank, busying himself with 12 other boardroom posts and a host of honorary positions.

Leif Hoegh posts sharp advance

By Karen Fossli in Oslo

LEIF HOEGH, one of Norway's biggest shipowners, yesterday announced first-half pre-tax profits up sharply to NKr471m ($64.45m) from NKr120m in the same period last year.

The improvement was helped by a NKr258m gain from the disposal of assets, a stronger dollar, improved markets for tankers and dry bulk carriers, and lower interest payments. Mr Olav Geir Foss, director, forecast full-year pre-tax profits of about NKr400m, up from NKr278m in 1992.

Earlier, the shipowner forecast operating profit in 1993 would rise to about NKr350m from NKr309m in 1992.

Mr Foss said the value of the group's share and bond portfolios had also increased.

Group freight revenue in the period rose to NKr1.21bn from NKr1.05bn as operating profit increased to NKr175m from NKr161m. Bona Shipholding, the group's tanker and dry bulk carrier operation, boosted first half operating profit to NKr67m from NKr21m.

The advance was attributed to stable freight rates for oil products from North Africa to Europe and the US, and to higher rates for dry bulk cargoes such as grain, coal and phosphates.

The group's car-carrier operation saw operating profit decline to NKr115m from NKr128m, mostly because of the disposal of two vessels and a weaker trend in the market.

Sage profits warning for US units

By Paul Taylor in London

SAGE Group's share price fell by 119p to 355p yesterday after the UK business software company issued a "short-term" profits warning related to its two subsidiaries operating in the fiercely competitive US market.

The company said its recently acquired Remote Control International subsidiary had incurred restructuring costs, and had brought forward development expenditure on a new version of its Telemagic contact management software product designed to work under Microsoft's Windows.

In addition DacEasy, the group's US accounting software subsidiary, had been "adversely affected" by the introduction of competitors' Windows products, although its own Windows product is now being marketed and costs have been reduced.

The rapid growth of Windows-based software in the US has caught several software companies by surprise.

Sage said that its pre-tax profits and earnings-per-share for the year to September 30 "will be lower than general market expectations," but nevertheless ahead of those reported for last year.

Last year the group reported pre-tax profits of £8.85m on turnover of £27.3m and, following a 24 per cent increase in profits at the interim stage, most industry analysts had been expecting full year pre-tax profits of between £10.8m and £11.1m.

Improved calls volume at GTE offsets job-cut costs

By Martin Dickson in New York

GTE, the largest local telecommunications group in the US, yesterday reported a 6 per cent increase in second-quarter net income. It was helped by solid growth in telephone calling volume, but held back by a $74m pre-tax charge for job cuts.

The company announced net income of $438m, or 46 cents a share, compared with $412m, or 45 cents, in the second quarter last year. Revenues dipped from $5.06bn to $4.92bn.

The revenue dip reflected "lower government-communications sales and continued competitive price reductions to domestic long-distance companies, which offset solid volume growth in telephone operations".

The charge for the voluntary job severance programme worked through at $46m, or 5 cents a share after tax. GTE said when this was excluded, earnings per share rose 13 per cent to 51 cents.

Mr Charles Lee, chairman, said telephone operations had a strong quarter, with healthy volume growth and lower domestic operating costs.

For the six months, net income totalled $898m, or 94 cents a share, compared with $805m, or 88 cents in 1992 before accounting changes. Revenues totalled $9.74bn, up from $9.89bn.

In telephone operations, minutes of use of GTE's network for long-distance calling grew at an annual rate of 7.5 per cent, while total access lines increased 4 per cent.

Around 6,400 employees, or nearly 8 per cent of the domestic telephone operations' workforce, accepted various voluntary separation programmes during the period. This will reduce future operating costs by more than $250m annually.

Revenues from the telecommunications products and services business, which includes cellular telephones, saw operating income rise to $87m from $57m, on revenues down at $995 from $1.08bn.

The increase in income was attributed to higher revenues and efficiencies in mobile cellular, as well as cost reductions in the government systems business.

Sprint up sharply in second quarter

By Martin Dickson

SPRINT, the US telecommunications group, reported a 58 per cent increase in second-quarter net income from continuing operations, due to strong growth in its long-distance operating income.

Income from continuing operations was $165m, or 48 cents a share, compared with $104m, or 31 cents, a year earlier. This excludes a $44m, or 13 cents a share, after-tax gain it made last year from the sale of telephone properties in Ohio. Revenues rose 9 per cent to $2.8bn.

Net income totalled $157m, or 46 cents, compared with $148m, or 44 cents.

Sprint, the third-largest long-distance carrier in the US, said this business saw operating income of $121m, against $45m last time. The profits were a slight improvement on the first quarter.

Revenues rose 10 per cent to $1.51bn, compared with $1.38bn a year ago and $1.49bn in the first quarter. Minutes of use rose 9 per cent on a year ago but were down 1 per cent on the first quarter.

Mr William Esrey, chairman, said the record long-distance results reflected the introduction of new products.

Charge batters Dow drug offshoot

By Paul Abrahams

MARION Merrell Dow, the pharmaceuticals group 70 per cent-owned by Dow, the large US chemicals company, yesterday reported earnings down 85 per cent, to $29m from $197m, for the second quarter to 30 June.

The company was hit by a special $180m restructuring charge for its US business. It was also affected by falling sales of its leading medicines.

Without the special charge, net income would have been down 20 per cent at $158m, according to the company. Mr Fred Lyons, president and chief executive, pointed out that the results were better than during the first quarter.

Turnover for the quarter fell 17 per cent to $750m from $906m. Sales of the heart drug Cardizem, its best-selling medicine, dropped 9 per cent to $210m, after US patents expired last year. However, its new once-a-day Cardizem CD generated sales of $125m, up 166 per cent.

Seldane, an anti-histamine, generated sales down 11 per cent, from $296m to $263m. Sales of Nicoderm, the smoking cessation patch, fell 71 per cent to $24m against last year's figure. Sales of Nicorette gum dropped 60 per cent to $40m.

Research and development spending for tha quarter fell from $125m to $115m, while sales, general and administrative spending dropped from $286m to $270m.

Earnings per share fell from 70 cents to 10 cents.

● Johnson & Johnson, the US pharmaceuticals and consumer group, posted second-quarter earnings up 9.5 per cent, to $495m from $452m. Turnover increased 3.8 per cent to $3.54bn from $3.41bn.

However Mr Ralph Larsen, chairman and chief executive, said sales growth had been slowed by weak economies in several markets, the strength of the dollar, and healthcare reforms in several important international markets.

The consumer division's sales rose 1.6 per cent to $1.18bn from $1.17bn.

Domestic turnover rose 1.2 per cent to $608m from $601m.

Turnover at the pharmaceuticals division rose 3.3 per cent to $1.12bn from $1.1bn. In the US, it increased 9.5 per cent to $428m, due to the introduction of new products such as Procrit, a treatment for anaemia, and Leustatin, a medicine for hairy cell leukaemia.

These gains were offset by a decline in sales of Hismanal, an antihistamine. Non-US sales fell to $691m from $692m because of healthcare reforms.

Sales of the professional division, which markets wound products, medical equipment and dental and ophthalmic products, increased 6.3 per cent to $1.24bn from $1.17bn.

Earnings per share rose 10.3 per cent to 75 cents from 68 cents.

LSI Logic sets profits record

By Louise Kehoe in San Francisco

LSI LOGIC, the US semiconductor manufacturer, reported record net income in the second quarter, compared with a loss in the same period last year.

The turnround was achieved by increased revenues and tight expense controls.

Net income was $13.1m, or 27 cents per share, compared with a loss of $5.9m, or 13 cents, in the same period a year ago.

The earnings were at the high end of Wall Street expectations.

Revenues in the second quarter advanced to $177.1m, up 16.6 per cent from $151.8m in the second quarter a year ago.

For the first six months of 1993, net income was $23.7m, or 49 cents a share, against a loss of $5.5m, or 12 cents, in the first half of 1992. Revenues were $346m, up 14.4 per cent from $302.4m in the same period last year.

LSI, which specialises in Application Specific Integrated Circuits (Asics), chips tailored for specific customer applications, said demand was "healthy in the second quarter with the US and European markets leading the way".

"Increased revenues and tight expense controls were the primary reasons for the company's improved financial performance in the second quarter," said Mr Wilfred Corrigan, chairman and chief executive.

"Operating expenses as a percentage of revenues were reduced to 27.3 per cent in the second quarter of 1993 from 36 per cent in the second quarter of 1992.

"Operating income, pre-tax income and net income were all at record levels in the second quarter of 1993."

Acquisition lifts Martin Marietta

By Richard Waters in New York

MARTIN Marietta, the US defence contractor which took over GE Aerospace in April, recorded a 25 per cent rise in second-quarter net income due to a first-time contribution from its acquisition.

Net income rose to $124m, from $99m in the second quarter of 1992, on sales up from $1.6bn to $2.6bn. Earnings per share on a fully-diluted basis fell to $1.98 from $2.06, reflecting an increase of 14.5m in the shares outstanding as a result of a convertible stock issue connected with the GE transaction.

New debt associated with the takeover took gearing to 41 per cent by the end of June, which the company described as "manageable".

For the first half, before the effect of a change in accounting for retirees' health benefits, post-tax profits were $200m, or $3.62, compared with $174m, or $3.57, in the first six months of 1992.

Around $1.2bn of sales in the second quarter came from the company's new electronics division, forged after the takeover. This unit achieved an operating margin of 9 per cent, compared with a 10 per cent margin in the space division.

Colgate rises 14% to $142m

By Martin Dickson

COLGATE-Palmolive, the US consumer products group, yesterday reported a 14 per cent increase in second-quarter earnings, despite weak economic conditions in most of the developed world.

The company had net income of $142.4m, or 86 cents a share, compared with $124.4m, or 7S cents, in the same period of last year. Sales dipped 1 per cent to $1.78bn, due to currency fluctuations, though unit volume was steady with a year earlier.

Mr Reuben Mark, chairman, said the earnings increase was due to the company's commitment to increased profit margins. This had been achieved by reducing overheads, streamlining worldwide manufacturing, and "the continued shift of product mix to our more profitable product categories".

The gross profit margin rose from 47.1 per cent to 48 per cent, and the after-tax return on sales moved up from 6.9 per cent to 8 per cent.

The company's biggest business – oral, personal and household care – achieved "healthy sales sdvances" in the developing world, which helped offset decreases in the mature economies. Letin American sales were up 11 per cent.

Although Enropean sales from this segment fell 10 per cent because of poor economic conditions and currency factors, operating profit percentages improved thanks to restructuring. US sales were down 4 per cent in unit terms and 6 per cent in dollar terms.

However, Colgate said this was a considerable improvement on the first quarter.

UTC declines 12% for quarter

By Martin Dickson

UNITED Technologies, the US high-technology group, reported a 12 per cent drop in second-quarter net income as sharply lower profits at its Pratt & Whitney aero-engine business offset improved performances in most other parts of the group.

Net income was $130m, or 89 cents a share, compared with $148m, or $1.03, for the same period last year. Revenues were $5.6bn, down from $5.7bn.

Mr Robert Daniell, chairman, said operating profits from businesses other than Pratt grew 19 per cent, compared with last year.

Pratt, which has suffered from the downturn in the airline industry, reported operating profits of $6m, down from $122m a year ago.

Revenues dropped from $1.8bn to $1.7bn.

Lower sales of engines and spares were offset by revenues from the renegotiation of several aircraft leases relating to prior-year engine deliveries.

Mr Robert Daniell, UTC chairman, said Pratt was showing an improvement from the first quarter, with an increase in commercial angine parts orders in the first six months.

UTC's flight division, which includes Sikorsky, the helicopter manufscturer, produced operating profits of $96m, up from $63m, on revenues of $898m, down from $983m.

Otis, the elevator group, made $98m, up from $84m on revenues of $1.14bn compared with $1.12bn. Carrier, the air conditioner company, made $85m, down from $93m, on revenues of $1.24bn, down from $1.27bn. Automotive made $53m up from $42m, on revenues of $640m against $633m.

For the six months UTC had net income of $194m, or $1.31 a share, compared with $242m, or $1.79 last year before accounting changes.

Net at Borland surges 259%

BORLAND International, the US personal computer software company, reported a strong advance in first-quarter earnings, as sales of its new programs for use with Microsoft's Windows operating system took off, writes Louise Kehoe.

Net income for the quarter was $6.2m, a 259 per cent improvement on last time's $1.7m. Per-share earnings were 22 cents, against 6 cents.

First-quarter revenues were $123.4m, up 7.5 per cent from $114.8m last year.

US media group ahead

By Karen Zagor in New York

CAPITAL CITIES/ABC, the television and newspaper group that controls the ABC Television network, reported second-quarter net income of $151m, or $9.21 a share, up from $147.5m, or $8.84, a year ago.

Net revenne rose to $1.44bn from $1.39bn while operating income was almost flat at $270.7m against $268.7m.

Broadcasting revenues advanced 5 per cent to $1.18bn from $1.12bn and operating income edged 3 per cent higher to $244.5m from $236.6m. Earnings for ABC Television fell.

Publishing revenues declined 6 per cent to $255.9m from $273.5m, and operating income from the business dropped 9 per cent to $36.3m from $40.1m.

First-half results were distorted by extraordinary charges this year and accounting charges in 1992. Including these items, first-half net income was $210.2m, or $12.77, on revenues of $2.62bn, against earnings of $46m, or $2.72, on revenues of $2.49bn in 1992.

Growth in US and Asian sales boosts Mitel

RISING sales in the US and Asia helped Mitel, the Canadian telephone equipment maker, to record a profit of C$3m (US$2.4m), or 2 cents a share, for the first qnarter ended June 25, writes Robert Gibbens in Montreal. This compares with a loss of C$7m, or 10 cents, a year earlier, on revennes of C$107m, np 13 per cent.

Mitel, which makes telecom switches, semiconductors and compnter systems, said productivity gains also helped.

Mr Anthony Griffiths has stepped down as chairman.

Nortel sells UK marine cable arm

By Andrew Adonis and John Ridding

ALCATEL-Alsthom has agreed to buy STC Submarine Systems, the UK-based underwater cable business of Canada's Northern Telecom, for about £600m ($899m).

If it clears regulatory hurdles in London and Brussels, the acquisition will form part of Alcatel Cable, creating the world's largest underwater telecommunications cable group, with estimated total sales of about Ecu800m ($727m) last year.

Alcatel-Alsthom said that the deal would expand Alcatel Cable's geographical coverage in a rapidly growing market. "It is a very dynamic market as a result of the growth of international telecommunications," the company said.

The sale is a further stage in Northern Telecom's rationalisation of its UK STC business, acquired in 1990. The company, which last month forecast a second-quarter loss and replaced its chairman, has been under pressure to focus on core businesses.

Besides STC, Northern Telecom has no other undersea cable activities. In the past two years it has largely disposed of STC's distribution, service and cable manufacturing concerns.

Mr Ian Craig, president of NT's European division, said: "This has been in prospect for some time. We are concentrating our UK business on switching, transmission, radio and microwave: this deal means no lessening of our commitment to the UK in those fields."

Alcatel stressed the benefits to be gained from pooling the two groups' research and development activities. With research in undersea cables at the leading edge of fibre-optic technology, it expects the acquisition to strengthen other aspects of its business.

The new group's main competitor for undersea cables are AT&T, the largest US operator and telecoms manufacturer, and Fujitsu of Japan. The purchase reflects Alcatel's determination to strengthen its European base as the EC's telecommunications market is opened to competition.

Alcatel Cable has been increasing its market share following the acquisition at the beginning of 1992 of the cable business of AEG, the German industrial group.

Analysts in Paris said the purchase would increase the debt of the Alcatel cable subsidiary, which is estimated at more than FFr5bn ($862m). But they did not expect any dilution of earnings this year.

STC Submarine Systems, which is based in Greenwich, London, had sales of Ecu300m in 1992 and has about 1,200 employees. Alcatel Cable has annual sales of more than Ecu5bn and employs about 28,000 people.

Mr Craig claimed Northern Telecom got a very good price for the sale. "We might have settled for substantially less three years ago."

In 1990, Northern Telecom paid £1.9bn for STC, and the submarine systems division is estimated to account for about 20 per cent of the sales of the former group. The sale leaves Northern with 5,200 employees in the UK.

See Lex

NTT Data may seek listing on Tokyo SE

NTT Data Communications System, the computer software services arm of Nippon Telegraph and Telephone (NTT), may be floated on the Tokyo stock exchange next year, agencies report.

Mr Masashi Kojima, NTT president, said he would like the move to be made as soon as possible: "Everything will depend on the market's condition and we have to choose the right time".

NTT Data became an independent entity within NTT, Japan's large telecommunications group, in 1988. By the end of the current year to March 1994, it will have business reports for five consecutive fiscal years as required by the Tokyo stock exchange.

In addition to the disclosure criterion, the exchange requires "a great number of outstanding shares" and a good spread of shareholders, but the exchange does not disclose specific numerical criteria.

Mr Kojima expected the proceeds of the flotation to ease the subsidiary's heavy burden of interest payments.

NTT Data is Japan's biggest company specialising in computer system integrations. It enjoyed sharp sales and profit growth during its first three years.

Although the weakness of the economy has slowed sales growth in recent years, the company was weathering the recession comparatively well because of its large share of sales to the public sector, the company said.

Initial investment for each project sometimes amounted to hundreds of billions of yen because half NTT Data's business involved leasing of computers together with software. This inflated the company's need for funds, and has resulted in a heavy financing burden, the company said.

For the year ended March, 1993, NTT Data's sales rose 10 per cent to Y433.5bn ($4bn). Pre-tax profits tumbled 34 per cent to Y10.2bn.

G30 sets new benchmark for derivatives industry

Tracy Corrigan assesses the latest futures report

What sets yesterday's Group of 30 report on derivatives activity apart from the clutch of reviews published in recent months is not the thrust of its conclusions, but rather the detail and scope of its recommendations.

Unlike the reviews already published – most importantly by the Bank of England and the Bank for International Settlements (the Promisel report) – the G30 report was written by, and primarily for, market practitioners.

It has little to add to the regulatory debate on derivatives, and indeed eschews some of the important issues that trouble regulators.

For example, Mr Paul Volcker, a former regulator and chairman of G30, notes in his foreword to the report the "virtual absence of comment about the appropriate level of capital requirements . . . Plainly the authors believe that the amount of capital needed to support derivatives exposure is a matter of judgment for individual institutions."

Indeed, the potential weak spot of the report, in spite of the status of the G30, is that it is largely compiled and written by bankers, with a vested interest in promoting a positive view of their market.

However, the recommendations, which provide the most detailed guidelines on managing derivatives business to date, are expected to be studied closely by market participants – although they may find some of the smaller ones, particularly those involving information technology, expensive to implement. The recommendations may be used by regulators as a benchmark for good derivatives management.

According to Mr Paul Sproos, publisher of Swaps Monitor, a trade publication, the recommendations "set extraordinarily high standards. I do not think that there is a single swaps dealer who meets all of them in full."

The report makes a total of 20 recommendations, backed by research into practice among market practitioners and end-users conducted by Price Waterhouse, accountants.

The Price Waterhouse survey, which is only sporadically quoted, has not been published with the recommendations. The most important are:

● Senior management should determine and control derivatives activity.

The Price Waterhouse report found that two-thirds of firms responding to the survey involve senior management in authorising traders to commit the firm.

That means up to a third of senior managers may be broadly unaware of how their derivatives business is run.

● Dealers should mark their positions to market (adjust the valuation of their positions in line with market movements). The survey found that more than half the end-users do not follow this practice although most plan to do so.

The report gives detailed recommendations on market valuation methods, which are subject to wide variation, according to the survey.

● Dealers should run stress simulations to determine how their portfolios would perform in worst-case scenarios. Stress testing is conducted mainly by large dealers, according to the survey.

● Credit risk should be reduced by broadening the use of netting provisions (allowing banks to focus on net rather than gross exposure) and by ensuring that contracts can be legally enforced across different jurisdictions.

● There should be independent market and credit risk management, so that this is separated from the dealing function.

The recommendations were welcomed as fair by the International Swaps and Derivatives Association (ISDA), the industry's trade association. "It's a question of fine-tuning but they are likely to contain some things that are not being done even in the largest firms," said Mr Joe Bauman, chairman of ISDA and head of derivatives business development at Citibank.

Meanwhile, a number of reports on the derivatives market are still in the pipeline, including three studies in the US by the Securities and Exchange Commission, the Commodity Futures Trading Commission and, most important, the General Accounting Office.

If the conciliatory tone of reports published so far persists, it may be that the heat is off the derivatives industry, and regulators' concerns have been largely addressed.

Anglovaal lifted by rise in gold price

By Philip Gawith in Johannesburg

ANGLOVAAL, the South African gold mine group, increased taxed profits by 84 per cent to R71.2m ($21.4m) in the June quarter, against the preceding three months.

Most of the turnround was attributable to Hartebeestfontein, the group's flagship mine, which raised taxed profits to R56.1m from R36.4m.

The improved profits were mainly due to a 15 per cent increase in the average gold price received for the mine's underground operations.

The turnround at Loraine, a marginal mine threatened with closure, was also an important contributor. The mine made a R9.4m profit in the quarter after a R2m loss for the previous quarter. The results show, for the first time, the benefits of a seven-day working week – an exemption from the government – for a full quarter. This led to a 30 per cent increase in gold production.

Eastern Transvaal, the other large mine in the group, lifted taxed profits to R5.4m from R4.2m.

Gengold gains 31% to R100.3m

By Philip Gawith

THE 10 mines in the Gengold group posted a 31 per cent increase in net profits to R100.3m ($30.3m) in the June quarter over the previous quarter. The group was helped by cost controls and a firmer gold price.

The result was largely due to improved performances at Beatrix, Buffelsfontein and Kinross. It was achieved on a fall in gold production to 16,742kg from 17,156kg – but an average price rise of 5.5 per cent to R34,766 per kg.

Mr Gary Maude, managing director, said the better price required the group to move from using hedging as a survival technique to using it as insurance against a sudden fall in the price of gold.

He said the group had last sold gold forward in May and would be busy winding up existing forward positions until May next year. At current gold prices, Gengold's profits would be 25 per cent to 30 per cent higher were it not for the group's hedging programme.

The group has used the better gold price to increase capital expenditure, which at R39.7m was 105.3 per cent higher than in the previous quarter.

Mr Maude said large capital projects would probably be started if, in six months, the strong gold price had been maintained.

However, he stressed the mines' priority was to secure dividends and that capital expenditure would not come at their expense.

One disappointing feature of the results was the performance of Grootvlei. Mr Maude said its future remained threatened, even at the higher gold price, unless it improved its operational performance.

Defence weakens Israeli state sector

By Julian Ozanne in Jerusalem

ISRAEL yesterday announced results for its state-owned sector and gave an indication of the progress of the the privatisation programme.

State companies lost Shk220.3m ($78.6m) last year following a combined loss of Shk1bn by Israel Aircraft Industries and Israel Military Industries. But companies in which the government has sold partial stakes – such as Bezeq, the communications monopoly, and Israel Chemicals – increased profits.

"The four utilities – electricity, water, transportation and telecommunications – are in an expansion phase, while defence activity is shrinking," said Mr Yossi Nitzani, director of the Government Companies Authority.

Excluding the defence industries, state-controlled companies showed a profit of Shk801m, a 13 per cent increase over 1991. Bezeq announced profits of Shk207.4m, up from Shk186.5m in 1991. Israel Electric overturned its 1991 loss of Shk79.4m to post profits of Shk184m, while Israel Chemicals improved profits to Shk180.3m from Shk171.8m.

Mr Nitzani said that during the first five months of this year the government sold $615.8m worth of companies, compared with total divestment last year of $632.6m.

Daiichi creditors forego payments

By Emiko Terazono in Tokyo

LEADING creditors of Daiichi, the Japanese real estate company facing financial difficulties, have agreed to forego interest on loans to aid the restructuring of the group.

Mitsui Trust & Banking, Yasuda Trust & Banking, Nippon Credit Bank, and Chuo Trust & Banking will waive until March 1995 the 3 per cent interest on total debts of Y300bn ($2.8bn).

The waiver is expected to ease Daiichi's debt burden by about Y9bn a year. The move will hit the banks, which face mounting bad loans.

In March last year, the four banks lowered interest rates on loans to Daiichi, which has some Y550bn in total debt. Daiichi plans to ask other creditors to lower interest to 0.5 per cent.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on 22.07.93: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices: Pool selling price £/MWh
0030	18.24	18.09	18.09
0100	18.06	18.04	18.04
0130	18.18	18.04	18.04
0200	18.18	18.04	18.04
0230	18.16	18.04	18.04
0300	18.18	18.04	18.04
0330	18.18	18.04	18.04
0400	18.06	18.05	18.05
0430	18.04	18.05	18.05
0500	18.04	18.05	18.05
0530	18.05	18.02	18.02
0600	18.05	18.02	18.02
0630	18.05	18.07	18.07
0700	20.88	20.78	25.79
0730	24.89	23.99	28.96
0800	24.93	24.93	29.75
0830	25.80	26.36	31.21
0900	25.73	26.56	31.44
0930	26.21	34.30	39.44
1000	28.27	34.31	39.38
1030	28.36	34.31	39.29
1100	29.73	34.30	39.35
1130	31.78	26.80	31.42
1200	34.75	33.08	38.07
1230	34.73	33.03	38.05
1300	34.54	33.02	37.98
1330	29.87	26.58	31.34
1400	26.50	26.58	31.34
1430	26.16	26.64	31.33
1500	26.15	26.56	31.34
1530	26.18	26.56	31.35
1600	26.33	25.40	30.13
1630	33.14	26.58	31.33
1700	35.11	33.01	37.98
1730	34.95	33.00	37.98
1800	34.56	25.39	30.16
1830	34.34	25.39	30.17
1900	26.21	23.99	28.72
1930	26.02	23.99	28.73
2000	24.98	23.32	28.11
2030	24.89	22.87	27.87
2100	24.89	22.87	27.87
2130	24.89	31.39	36.82
2200	24.89	36.00	41.16
2230	24.89	37.62	42.88
2300	24.89	37.62	42.71
2330	24.49	22.73	27.54
2400	18.54	20.53	25.75

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.06/MWh becomes 1.806p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction (and sometimes major alteration) until final pool prices are determined [illegible] Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0602-456780 between 8:30am and 6:15pm Monday to Friday.
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INTERNATIONAL CAPITAL MARKETS

German M3 data sends European sector tumbling

By Peter John in London and Karen Zagor in New York

HIGHER-than-expected German money supply data sent European government bond markets tumbling yesterday as hopes for general interest rate cuts took a knock.

Speculation that Germany's M3 figure for June would come in above 7 per cent filtered into the market on Tuesday, and half an hour before the data were released there was a wave of sell orders throughout Europe.

GOVERNMENT BONDS

The actual headline figure of 7.1 per cent was distorted by a surge in repatriation of international assets, which often represents a correction following earlier central bank intervention. Once that was removed, there were few signs of inflationary pressure.

However, the details were preceded by comments from Mr Johann Wilhelm Gaddum, the vice-president designate of the Bundesbank, who said that if M3 was outside the target range of between 4.5 and 6.5 per cent there was no justification for a rate cut.

The chain of events dented confidence that the Bundesbank would cut official rates next Thursday. Ms Alison Cottrell, international economist at Midland Global Markets, said: "Mr Gaddum's comments on the importance of the M3 target will not have been a coincidence. If the foreign exchange figure [between France and Germany] is not too appalling this points to the council sitting tight."

One of the three senior economists at S.G. Warburg said: "Beforehand, we were two-to-one in favour of e cut. Now we are all in fevour of not cutting."

Earlier in the day, the German central bank carried out its weekly repo operation at 7.15 per cent, alloceting DM66.6bn against expiring funds of DM75.6bn. Some economists took heart from the willingness to ease in the face of the money supply figures, but others said the central bank had no choice because the commercial banks were cash heavy following the recent speculation against the French franc and had very little need of funds.

German bund futures for September traded on Liffe fell from 96.09 to 95.83.

■ THE Bundesbank's perceived unwillingness to ease further in the face of high money enpply added to the pressure on the French franc and spilled over to the French debt market yesterday.

French government bond futures traded on the Matif broke through a key support level and fell more than half a point to 119.74.

The argument was that if Germany does not cut, France might have to raise rates to relieve speculative pressure on the currency. If rates go higher for any length of time the bond market – which has remained attractive because of low inflation – will begin to look expensive.

One dealer said yesterday: "We have seen the seeds of a shift in the bullish sentiment. The big question is whether the domestic investors will remain faithful."

■ UK government bonds largely survived the impact of supposedly booming high street sales, hut the added pressure of high German M3 data was too much and gilts ended weaker along the yield curve.

The rise in retail sales hit short-dated maturities which anticipate base rate forecasts, but the impact was muted as economists said the boost merely reflected price cutting and not a rise in consumer spending.

Middle-dated stock was weakened by the anticipated injection of supply from next week's £3.25bn gilts auction.

■ US Traasuries moved broadly lower yesterday morning as the market continued to register fears that the Federal Reserve may tighten monetary policy.

By midday the benchmark 30-year government bond was off $\frac{7}{16}$ at 106$\frac{11}{32}$, yielding 6.584 per cent. At the short end of tbe market, the two-year note was down $\frac{1}{16}$, to yield 4.584 per cent.

Trading was light yesterday morning as the market waited for the Treasury to announce details of next week's two and five-year note auctions in the afternoon. Supply worries were somewhat mitigated by an announcement thet the Tennessee Valley Authority had cancelled its 30-year issue. The news helped the long bond recover from its morning lows.

Overall, however, sentiment was bearish in the wake of Mr Alan Greenspan'e testimony before Congress on Tuesday. The chairman of the Federal Reserve pradicted that the economy would continue to firm through the rest of this year and into 1994. He also forecast GDP of more than 3 per cent for the second half of this year.

Mr Greenspan's remarks ebout "disappointing" inflation prompted speculation that the Federal Reserve might tighten monetary policy to check inflation.

FT FIXED INTEREST INDICES

	July 21	July 20	July 19	July 16	July 15	Year ago	High *	Low *
Govt Secs (UK)	96.03	96.32	96.23	96.31	96.46	89.21	96.46	93.28
Fixed Interest	117.18	117.13	117.16	116.97	117.01	105.69	117.18	106.87

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1993. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75) Fixed Interest high since compilation: 117.10 (21/7/93), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	July 20	July 19	July 16	July 15	July 14
Gilt Edged Bargains	95.2	100.9	105.5	123.3	119.0
5-Day average	108.8	111.8	112.1	110.4	104.2

* SE activity indices rebased 1974

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		9.500	08/03	117.1675	-0.079	7.09	7.09	7.60
BELGIUM		9.000	03/03	113.6900	-0.020	7.01	7.02	7.10
CANADA *		7.500	12/03	102.6500	-0.200	7.13	7.10	7.37
DENMARK		8.000	08/03	105.8500	-0.350	7.14	7.04	8.97
FRANCE	BTAN	8.000	05/98	107.0514	-0.339	6.24	6.17	6.21
	OAT	8.500	04/03	111.9000	-0.490	6.78	6.78	6.80
GERMANY		6.750	04/03	101.2100	-0.360	6.57	6.51	6.70
ITALY		11.500	03/03	104.0850	-0.535	11.10†	11.02	11.60
JAPAN	No 119	4.800	06/99	103.8033	+0.047	4.01	4.01	4.24
	No 145	5.500	03/02	108.1220	+0.202	4.22	4.28	4.43
NETHERLANDS		7.000	02/03	104.2900	-0.300	6.37	6.38	6.51
SPAIN		10.300	06/02	99.8134	-0.512	10.32	10.27	10.33
UK GILTS		7.250	03/98	101-23	-12/32	6.81	6.66	7.00
		8.000	06/03	103-09	-22/32	7.52	7.40	7.76
		8.000	10/08	109-31	-13/32	7.86	7.84	8.13
US TREASURY *		6.250	02/03	103-14	-10/32	8.77	5.73	5.81
		7.125	02/23	108-30	-3/32	6.59	6.58	6.80
ECU (French Govt)		8.000	04/03	104.8200	-0.310	7.28	7.13	7.14

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

Walt Disney doubles size of 100-year offer

By Richard Waters in New York

WALT Disney, the US entertainment group, yesterday became the first borrower in nearly 40 years to raise money through an issue of bonds in the US market with a maturity of 100 years.

The size of the issue, redeemable July 15 2093, was doubled to $300m, fuelled by a demand from US bond investors for higher returns in the face of record-low Treaeury bond yields.

The bonds were priced yesterday morning in New York to yield 95 basis points over the benchmark 30 Treasury bond. They were estimated to offer investors eome 15-20 basis points above what they might have recelved had the company issued 30-year bonds: a 40-year issue from McDonald's, the hamhurger chain (which like Disney is a weak double-A credit), was recently launched at a yield spread of 75 basis points, and was yesterday trading at a spread of 80 hasis points over the long Treasury bond.

The Treasury market rally has already brought e flurry of 50-year transactions this year, from Texaco, Boeing and Ford among others. The last 100-year deal is thought to have been a 1954 issue by Chicago & Eastern Illinois, e railway company, with a coupon of 5 per cent.

The Disney deal, which was offered at par with a coupon of 7.55 per cent, is callahle after 30 years. It has an average duration of roughly 13 years, making it only slightly longer than e comparable 30-year bond, said Mr Mark Seigel, head of corporate bond underwriting at Morgan Stanley.

Demand had shown that the yield plck-up was seen by investors as an edequate compensation for this increase in duration, he said.

Setback for CBOT as deal falls through

A YEAR-LONG negotiation by the Chicago Board of Trade to acquire e New-York based government securities dealing house has fallen throngh, halting the exchange's plans to enter the cash government bond dealing business, writes Laurie Morse.

Last July the CBOT agreed to acquire EJV Brokerage, an electronic broker owned jointly by affiliates of six New York banks and brokerege houses. Ths CBOT is tbe world's largest fntures exchange, and trades futures and options on US government bonds and notes.

The EJV acquisition has languished in Washington for over nine months under Securities and Exchange Commission consideration. The CBOT said that rising costs dne to the delay in receiving regulatory approval forced EJV to withdraw from tha deal.

Itochu sets up $2.5bn MTN programme

ITOCHU Corp, the Japanese trading house, is to set up a $2.5bn medium-term note programme in the first move by e Japanese company following tha Ministry of Finance's latest deregulation, Renter reports from Tokyo.

The miniatry last week allowed Japanese corporations to issue foreign bonds overseas under a programme through which issuers can launch bonds quickly up to a certain ceiling. The system will help shorten the time taken to issue foreign bonds to three days from two weeks, the ministry said.

The programme, to be listed on the London Stock Exchange, will be set up later this month. It is likely to issue Euroyen bonds first under the programme, where the firm can issue bonds in most major currencies with maturities of more than four years.

Guilder interest prompts Fl 1bn issue from Denmark

By Sara Webb

SOVEREIGN and corporate borrowars yesterday tapped the international bond market in various sectors, with some keen to take advantage of demand for the more stable European currencies in view of recent turbulence in the exchange rate mechanism.

The Kingdom of Denmark launched a Fl 1bn, five-year deal which was priced to yield 20 basis points over the new state loan – the 6¼ per cent bond due 1998.

ABN-Amro, the lead manager, said Denmark wanted to take advantage of strong investor demand for guilders. The government recently raised Fl9bn with its new five-year state loan, and the lead manager felt there was still demand for this maturity.

With both the French franc and Danish krone under attack, some investors are keen to switch into the core currencies of the D-Mark and the guilder. and the latter is seen as enjoying better economic fundamentals with a low inflation background. The bonds held their yield spread at around 20 basis points.

INTERNATIONAL BONDS

In the equity-linked sector, S.G. Warburg Group launched a 15-year convertible bond which was increased to £91m from £80m to meet very strong demand from continental and UK fund management groups.

Although the share price fell back, participating banks said there was very little evidence of investors switching out of the equity to buy the convertible bonds, edding that the issue attracted a "different class of investors" to the traditional equity investor. The steady pound and strong UK bond background apparently attracted continental investors.

The convertible bond was issued at par and rose to trade at 102.5 on the bid side, as demand far outstripped supply. S.G. Warburg pointed out that restrictions on the total size of the deal meant that the issue could not be raised further.

Against other recent Eurosterling convertible bond issues, the Warburg deal has a relatively low coupon of 6.5 per cent. The conversion price was set at £8.54, giving a conversion premium of 18 per cent over where the stock was trading at launch.

Tbe Kingdom of Sweden launched a Pta20bn reverse floating rate note, the first time such an instrument has been issued in this currency according the BBV, lead manager. The deal was increased from Pta15bn with the coupon fixed at 10.75 per cent for the first year and thereafter allowed to float at 18 per cent minus six-month Libor.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book runner
US DOLLARS							
Banco do Brasil	200	9#	99.566R	Aug.1998	1.125R	+400(5¼%-98)	Chemical Inv./ Paribas
Maruzen Co.(a)ϕ	150	1.375	100	Aug.1997	2.25	-	Nikko Europe
D-MARKS							
De Nationale Investeringsbank	250	6.25	101.55	Aug.1998	2	-	Swiss Bank Corp.(Deutsch.)
STERLING							
SG Warburg Group(b)§	91	6.5#	100	Aug.2008	2.5	-	SG Warburg Securities
GUILDERS							
Kingdom of Denmark	1bn	6.125	100R	Aug.1998	0.2R	+20 (6¼%-98)	ABN Amro Bank
ITALIAN LIRA							
International Finance Corp.‡	150bn	(c)	100.45	Aug.1999	0.25R	-	San Paolo, Turin
PESETAS							
Kingdom of Sweden‡	20bn	(d)	99.8R	Aug.2000	0.3R	-	Banco Bilbao Vizcaya
SWISS FRANCS							
Crédit Local de France*	150	4.5	102.3	Aug.1998	-	-	Banque Paribas (Suisse)
Bayerische Landesbank	100	4.625	101.75	Sep.2003	-	-	Credit Suisse
SBAB	100	4.625	102	Sep.1998	-	-	Credit Suisse
Osaka Electric Co.(e)*ϕ	80	1.125	100	Aug.1997	-	-	Bank von Ernst & Company

Final terms and non-callable unless stated. The yield spread (over relevant government bond) at launch is supplied by the lead manager. *Private placement. §Convertible. ϕWith equity warrants. ‡Floating rate note. #Semi-annual coupon. R: fixed re-offer price; fees are shown at the re-offer level. a) Fixing: 28/7/93, b) Conversion price: £8.54. Callable at par from 20/8/98. c) Coupon pays 3-month Libor - 0.3%. d) Coupon pays 10.75% fixed annual in first year and 18% - 6-month Libor thereafter. e) Fixing: 27/7/93.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:10 pm on July 21

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 8½ 94	200	104⅞	105⅜	-⅛	4.16	Arbed 7½ 95 LFr	600	100	101		7.50
AlbertaProvince 9⅞ 95	600	108¾	110⅛	-⅛	4.71	Gendinance Lux 9¼ 99 LFr	1000	108⅞	110½		7.27
[illegible]						[illegible]					

FLOATING RATE NOTES [illegible]

CONVERTIBLE BONDS [illegible]

DEUTSCHE MARK STRAIGHTS [illegible]

SWISS FRANC STRAIGHTS [illegible]

YEN STRAIGHTS [illegible]

* No information available - previous day's price. † Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the bid price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (‡ three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	8	63	8
Other Fixed Interest	0	3	12
Commercial, Industrial	179	321	911
Financial & Property	72	181	546
Oil & Gas	14	22	47
Plantations	2	6	6
Mines	27	46	64
Others	29	49	67
Totals	331	685	1,661

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amt Paid up	Latest Renunc. Date	1993 High	1993 Low	Stock	Closing Price	+ or -	Net Div.	Times Cov'd	Gross Yield	P/E Ratio
125	F.P.	-	132	120	AG Holdings	128		R5.25	1.9	5.1	11.6
100	F.P.	-	107	97	Asagen	97		-	-	-	-
339	F.P.	-	356	356	Baring Chrysalis C	356		-	-	-	-
$10	F.P.	-	679	670	Baring Emrg Mkts	679		-	-	-	-
†150	P.P.	-	172	150	British Telecom (P/Paid)	171½	+3	N15.6	1.4	4.5	20.4
120	F.P.	-	148	131	Business Post	148		12.9	2.5	2.4	20.7
[illegible]											

RIGHTS OFFERS

[illegible]

TRADITIONAL OPTIONS

- First Dealings July 12
- Last Dealings July 23
- Last Declarations Oct. 14
- For settlement Oct. 25

Calls in BWD Sec., Dixons, Govett, Hanson warrants, Medeva, McCarthy & Stone, Regalian Props., UK Land, Vistec and Tiphook. Doubles in Anglo Pacific, Costain and Medeva.

3-month call rate indications are shown in Saturday editions.

FT-SE ACTUARIES INDICES

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LIFFE EQUITY OPTIONS

Option		Calls Jul	Calls Oct	Calls Jan	Puts Jul	Puts Oct	Puts Jan
Allied-Lyons	500	50	63	71	1	6	13½
[illegible]							

Option		Calls Aug	Calls Nov	Calls Feb	Puts Aug	Puts Nov	Puts Feb
Brit Aero	360	38½	57½	68	6	21	30½
[illegible]							

Option		Calls Sep	Calls Dec	Calls Mar	Puts Sep	Puts Dec	Puts Mar
Eurotunnel	390	38	55½	-	18½	32½	-
[illegible]							

FT-ACTUARIES FIXED INTEREST INDICES

	PRICE INDICES	Wed Jul 21	Day's change %	Tue Jul 20	Accrued interest	xd adj. 1993 to date
	British Government					
1	Up to 5 years (25)	127.63	-0.24	127.94	1.58	6.83
2	5-15 years (23)	150.09	-0.41	151.32	1.81	7.67
3	Over 15 years (9)	164.60	-0.24	164.35	1.12	7.18
4	Irredeemables (6)	188.75	[illegible]	188.72	2.04	7.35
5	All stocks (63)	148.12	-0.32	148.58	1.63	7.31
	Index-Linked					
6	Up to 5 years (2)	186.24	-0.03	186.30	1.45	1.92
7	Over 5 years (11)	176.54	+0.07	176.51	0.42	3.26
8	All stocks (13)	176.82	+0.06	176.71	0.53	3.06
9	Debs & Loans (65)	135.24	-0.11	135.29	2.67	5.75

	AVERAGE GROSS REDEMPTION YIELDS		Wed Jul 21	Tue Jul 20	Year ago (approx.)
	British Government				
1	Low	5 years	6.87	6.78	8.33
2	Coupons	15 years	7.77	7.73	8.75
3	(0%-7¾%)	25 years	7.89	7.88	8.75
4	Medium	5 years	7.05	6.95	9.24
5	Coupons	15 years	7.87	7.83	8.99
6	(8%-10¾%)	25 years	7.92	7.90	8.90
7	High	5 years	7.22	7.19	9.48
8	Coupons	15 years	8.06	8.03	9.19
9	(11%-)	25 years	7.97	7.94	9.06
10	Irredeemables(Flat Yield)		7.41	7.40	9.04
	Index-Linked				
11	Inflation rate 5%	Up to 5 yrs.	2.92	2.91	4.21
12	Inflation rate 5%	Over 5 yrs.	3.44	3.44	4.49
13	Inflation rate 10%	Up to 5 yrs.	2.09	2.09	3.44
14	Inflation rate 10%	Over 5 yrs.	3.25	3.25	4.28
15	Debs & Loans	5 years	8.49	8.43	10.54
16		15 years	8.81	8.79	10.31
17		25 years	8.86	8.81	10.18

COMPANY NEWS: UK

Hanson warns of mine closures

By Andrew Bolger

HANSON, the Anglo-American conglomerate, said the US miners' strike had cost its Peabody subsidiary £28m in the three months to June 30 and warned of permanent closures of certain mines and a "noticeable effect on Peabody's profit".

Lord Hanson, chairman, said £15m of the loss occurred in June when a total of 15 Peabody locations were on strike for part of the month and extensive sabotage to equipment occurred. There were also slowdowns by union workers at the mines that operated during the period.

He said that despite repeated requests, the United Mine Workers of America refused to resume bargaining with the official multi-company bargaining group, and appeared to be heading for a long confrontation.

"This will not only bring disastrous consequences for the employees involved and possible permanent closures of certain mines, but, as already disclosed at the recent Hanson EGM, will have a noticeable effect on Peabody's profit."

The strike at St Louis-based Peabody is part of a larger walk-out at mines operated by a number of big US coal companies. The union said about 16,000 miners were on strike.

The UMWA is trying to obtain guarantees that its members can have jobs at new mines opened by Peabody and others when existing mines run out of coal.

Lord Hanson said: "The number of Peabody mines on strike, governed by the labour contract with the UMWA, has now increased to 18 out of 22. Seven other US mines, however, involving approximately half of Peabody's production, are not affected and remain profitable.

"This strike is entirely a matter for the management of Peabody and the UMWA to negotiate and settle, but unless the UMWA is prepared to start negotiations immediately, Peabody's results for the three months ended September 30 1993, could be affected at a similar rate.

"The UMWA is attempting to coerce Hanson into forcing Peabody to submit to totally unacceptable terms, something we shall never do. Were a settlement to be made on the terms demanded by the UMWA, Peabody's future competitiveness and profit would be permanently blighted. Hanson is prepared to accept the short-term costs to its shareholders to ensure Peabody's long-term competitiveness."

Hanson's shares closed 1½p lower at 232½p.

Warburg seeks £91m via bond issue

By Norma Cohen, Investments Correspondent

SG WARBURG Group yesterday launched an £80m convertible bond, quickly increased in size to £91m, in its first capital raising exercise since 1987.

Mr Simon Leathes, chief financial officer, said that while the group has no pressing need for capital, "we were concerned that two years from now we might want additional capital and market conditions may not be right".

He did not specify how the group intends to use the funds except to say it will probably be devoted to the investment banking division, where Warburg hopes to expand its trading for its own account and its derivatives business.

The offering will count as Tier 2 capital for regulatory purposes, raising the total capital for Warburg in that category to £240m.

Warburg does not publish its capital ratios for regulatory purposes, the internationally accepted measure of a bank's balance sheet. But Mr Leathes said the group is "well above" regulatory minimums.

However, the ratio of Warburg's shareholders' funds to gross assets, an important measure of balance sheet strength, fell in the past year from 5.9 per cent to 4.6 per cent. Mr Leathes said that the ratio at the end of 1992 had been unusually high by historical standards. When all the shares on the new issue are converted, that ratio will rise to just above 5 per cent, he said.

In the year ended March 31, Warburg earned a return on capital in the investment banking division of 10.3 per cent, 8.7 per cent after discontinued operations. That is lower than the group average return on capital of 14.7 per cent for the year just ended.

Warburg's brokers, Cazenove, had sounded out institutional shareholders in June but found there was limited support for such a capital raising exercise at that time.

The securities, which may be called at par by Warburg in 1998, carry a coupon of 6.5 per cent and are convertible into Warburg shares at 854p, a premium of 18 per cent above the share price at launch of 729p.

Warburg's shares yesterday closed 10p lower at 719p.

If all the shares are converted, they will dilute existing shareholders' stakes by just under 5 per cent.

Medeva moves to rebuild investors' confidence

By Richard Gourlay

MEDEVA, the rapidly growing UK drugs company that has suffered a halving in its share price since issuing a profits warning on Monday, yesterday said it will eschew "further major acquisitions" for the time being.

In a letter to shareholders, Mr Bernard Taylor, chairman, said: "The scale of the fall in the company's share price would appear to reflect wider concerns than could be accounted for by the revised profits forecast alone."

The board recognised the company would have to face "new constraints" with an overriding challenge being to rebuild investor confidence.

Medeva's share price fell a further 8½p yesterday to 102p, bringing the fall to 114p since Monday, when the company said it would make pre-tax profits of between £43m and £47m in 1993, about £10m below market expectations.

Rebuilding confidence would "crucially depend" on the company's actual profit performance in the future.

Mr Taylor said that the company's growth had been based on acquisition and organic growth.

Medeva describes its strategy as capturing synergies between companies it acquires, on revitalising products it buys, developing new products and investing in the resulting growth opportunities.

"Looking ahead, the board believes that shareholders will be looking for renewed evidence of the success of this strategy before any further major acquisitions are contemplated."

After its £94m rights issue in April, which repaid all debt and left the group with a strong balance sheet, Medeva said it had about £100m which it could deploy in acquiring more companies.

The company would still make "smaller scale tactical acquisitions", the letter said.

NW Water gets 90% take-up for scrip

NORTH West Water, the privatised water company, yesterday said that it had received elections for its enhanced scrip dividend in respect of some 322m shares – about 90 per cent of its issued capital.

The company, which is unlikely to have any mainstream corporation tax liability for some time due to substantial capital allowances, made the move to help it eliminate unrelieved advance corporation tax. It intends to direct the money saved to its international business.

The enhanced scrip option was equivalent to a dividend of 21.405p. Swiss Bank Corporation, which agreed to purchase new shares at a value equivalent to 20.9769p, yesterday said that shareholders representing about 81m shares (25 per cent of the elections) had accepted its offer.

The reference price determining the nnmber of new shares issued under tbe scheme will be announced next Wednesday.

BA to franchise its brand name to smaller airlines

By Daniel Green

BRITISH AIRWAYS is to franchise its name to small independent airlines, starting with UK carrier Cityflyer, in a move that mimics the strategy of its large US rivals.

Cityflyer will sell all its scheduled services under the British Airways Express brand name. It will pay BA a royalty for its use and for marketing services.

It will keep its staff and financial independence but switch to BA livery and uniforms. The airline already has a sales and reservations deal with BA.

Mr Robert Ayling, BA managing director, said yesterday that the deal was attractive because "capital was not at risk and income is guaranteed.

"We have seen this work successfully in the US and we are looking at at least one other possible [similar] transaction".

American Airlines, for example, franchises the name American Eagle to small carriers which then feed local services into American large hub airports.

BA's next target for a franchise is likely to be Maersk, the Danish carrier. The two airlines have close links and between them control Brymon European Airways, formed last year from the merger of Plymouth-based Brymon Aviation and Birmingham European Airways.

Cityflyer formerly operated flights for the holiday tour operator International Leisure Group, until that went bust in 1991. It was saved by a management buy-out and now flies to Belgium, the Netherlands, Germany, Ireland, the Channel Islands and within the UK.

The deal is part of BA's strategy to cut costs in less profitable activities. Recent changes include moving maintenance from Heathrow to Cardiff Airport, and the establishment of BA Regional to operate flights out of non-London airports with staff on lower wages.

Page proposal for Hoskins lapses

A PLAN by Mr Adam Page, founder of Midsummer Leisure, to reverse some of his businesses into Hoskins Brewery, one of Britain's smallest quoted brewers, has formally lapsed although both parties say they remain committed to the deal, writes Catherine Milton

Completion of the deal to inject three Fatty Arbuckle's theme bars into Hoskins in return for 41 per cent of its equity, was subject to notice being sent to shareholders by July 16.

This date could not be met partly because of calls for clarification from the Stock Exchange and partly because of Hoskins' own due diligence. The delays meant that three successive completion deadlines were missed.

Hoskins said: "Discussions are still continuing with a view to resolving the outstanding matters in relation to the acquisition.

Dunhill shares fall on disappointing quarter

SHARES IN Dunhill Holdings fell 27p to 340p yesterday as Lord Douro, chairman of the luxury goods group, said that results for the first quarter had been "disappointing", and that there was little sign of recovery in its key markets, particularly Japan.

Speaking at the annual meeting he said: "A convincing recovery would now be needed to avoid a significant reduction in operating profit from that of last year." He added that it was too early to assess the outlook for the full year with any precision.

Lord Douro also said that the reconstruction of Dunhill, Richemont and Rothmans was proceeding on schedule.

Shares in Dunhill fell almost 12 per cent from 379p to 355p on June 4 as the group revealed lower pre-tax profits for the year to March 31 and issued a warning for the current term.

● Mr John Yates, chairman of Airsprung Furniture, told the annual meeting that management accounts for the first quarter showed sales ahead of last year; profits, however, were lower, albeit in line with budget. The shares fell 19p to 469p.

PSIT shows £2m growth to £8.7m

A near-£2m advance in pre-tax profit was achieved by PSIT, the property investor and developer, in the year to March 31.

In the UK, it concentrated on managing and upgrading existing properties and planning for future development where the signs of recovery were more firmly based.

Income from investment properties came to £18.6m (£16.6m), and from investment securities it was £2.15m (£2.88m). Interest payable was £11.1m (£11.4m) and pre-tax profit £8.67m (£6.72m).

Earnings per share worked through at 5.1p (4.04p) and the final dividend is 2.625p for a total of 4.125p (3.75p).

The value of property investments was static at £235m. UK properties had fallen in line with the market but that was offset by increases overseas. Net value per share rose from 140p to 142p.

CarnaudMetalbox sells Pharmaflex

CarnaudMetalbox has sold Pharmaflex, a UK pharmaceutical packaging foils printer, to Alusuisse Lonza.

Mr Jurgen Hintz, chief executive of CarnaudMetalbox, said Pharmaflex was an excellent business but unique of its kind in the group. It should, therefore, find a better opportunity to develop as part of AL Packaging.

Pharmaflex is based in Newcastle. It employs 62 people and has an annual turnover of £8m.

Looking to be a bigger wheel

Andrew Baxter on AirBoss Ground Engagement's expansion plans

AIRBOSS Gronnd Engagement, which makes a unique puncture-proof wheel-and-tyre system, is launching a new phase of expansion that could generate rather more City interest than normal for a company with 19 employees and two years of losses.

Skid-steer loaders: a market with limited growth potential

AirBoss will begin volume production at its Didcot factory in the next few weeks of a new size of tyre designed for the front of backhoe loaders, or for all four wheels of a dumper or articulated wheel loader.

The AirBoss tyre, launched in 1991, has already made tracks in the market for skid-steer loaders, small multi-purpose machines such as the European market-leading Melroe Bobcat.

The tyre comes in slot-together non-pneumatic sections bolted to a specially-designed rim, and is marketed as the answer to punctures.

But according to Mr Andy Helby, AirBoss managing director, "It bugged us that we only had a tyre for skid-steers. We knew that we'd be unlikely to get rich like that."

The entrance of Abingdon-based AirBoss into a much bigger potential market might look like something of interest only to construction equipment insiders, but its corporate history suggests otherwise.

AirBoss is the wholly owned trading subsidiary of Select Industries, known until 1991 as Courtwell Gronp. Courtwall was formerly the Bear Brand hosiery group, and was created in early 1990 when Bear Brand bought Leisure Investments for £80m.

In May 1990, Leisure Investments, whose interests included the Aspinall casino in London and the Lingfield racecourse, went into receivership. Courtwell sold its remaining businesses and became a cash shell with £3m.

After examining about 60 business prospects, Courtwell settled on the new Australian-invented tyre system, and in 1991 obtained the European licence from Perth-based AirBoss.

The result is that some 14,000 former shareholders in a range of activities including casinos and hosiery now hold shares in Select, whose only business is the Abingdon company.

So far, investors have not had much to show for their shares. Select incurred pre-tax losses of £1.36m and £1.18m in 1992 and 1991 respectively, and paid no dividends.

Yet, helped by the good prospects for the wheel system, Select made a successful £4.5m rights issue last year to fund the continuing development of new wheel sizes. AirBoss, which retains rights to most of tha rest of the world apart from North America, is injecting a further £5m over the next three years to increase its stake in Select to 50.5 per cent.

Mr Edward Vandyk, the former Courtwell chairman wbo is now chief executive at Select, says he does not expect the group to be profitable until late 1994 at the earliest.

Shares in Select ara currently traded under rule 535(2), but Mr Vandyk says the company has applied to join the Unlisted Securities Market to have a more "credible" market position.

But it does not need to raise new money, and still has to receive £6m of the money already raised. "This is the sort of project that has to be equity financed," says Mr Vandyk.

Select's turnover has already jumped from £91,000 in 1991 to £465,000 last year, and is running at a higher rate again this year as the tyre's advantages become better known and AirBoss develops its European sales network.

AirBoss is talking to a number of backhoe loader producers about the tyre system; but recognisee that it neads between 20 and 25 wheel sizes to exploit fully the construction equipment market.

The challenge for AirBoss will bs to speed up new product developmant, in co-operation with AirBoss in Australia.

"The big wheels need a lot of R&D," says Mr Helby. "We started with scaled-up versions of the smaller wheels, but there are different challenges as the segments rub together... but we do expect to get quicker."

Exmoor Dual net assets dive

Exmoor Dnal Investment Trust, the split-capital vehicle which concentrates its portfolio primarily on similar such trusts, reported a net asset value of 34.8p per ordinary share as at May 31, down from the value of 63.2p a year earlier.

The figure of 61.1p per income share showed little change over the 12 months, while net asset value per zero coupon prefarence sbare improved from 158.4p to 178.9p.

Attributable revenue for the nine months to end-May amounted to £602,455 (£558,975) for earnings of 6.83p (6.34p) per income share.

A third interim dividend of 2.7p makes an unchanged total to date of 7.8p.

Directors reiterated that the total for the year would be maintained at 10.55p but that the distribution would probably have to be reduced next year.

Reduced finance charges help Aim improve to £3.6m

By Catherine Milton

PRE-TAX profits at Aim Group, the maker of aircraft interior fittings, improved from £3.11m to £3.63m in the year to April 30, but the rise was entirely attributable to reduced finance charges.

Operating profit declined to £4.01m (£4.43m) as margins were eroded in a difficult market with aircraft cancellations and postponements. Mr Jeff Smith, chairman and chief executive, said: "Under the circumstances we were pleased it was such a small decrease."

Finance chargas fell to £378,000 (£1.32m) on the back of the disposal in May last year of the contracting division. The sale realised £2.7m net cash including the release of some bank debt.

Turnover fell to £41.7m. Total sales in ths previous period were £58m, including £15m from contracting.

Aim completed one refurbishment order for the VC10 within the first two months of its year and only started another, for the SAAB 2000, this spring.

Mr Smith said: "At the end of the day, more and more people are flying and you clearly can't fly without aircraft. Quite what the timing of any upturn will be is obviously a question of opinion and debate. My view is 1995 but I could be wrong."

The company did not adopt the new FRS 3 accounting standard. Mr Smith said he thought the standard would have been "confusing". Under the new rules a £181,000 one-off gain on the disposal of the contracting division would have been included in pre-tax profits instead of being taken below the line.

Mr Smith said: "I am quite happy with criticism if it comes. Given the timetable of the disposal it makes a great deal more sense to do it this way."

A recommended final dividend of 6p brings the total for the year to 7.5p (6.5p). Earnings per share improved to 16.6p (13.7p).

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Aim	fin	6	Oct 8	5	7.5	6.5
Eve	fin	7.3	Sept 18	7	10	9.7
Exmoor Dual	int	2.7⽕	Sept 3	2.7	-	10.55
PSIT	fin	2.625	Oct 1	2.25	4.125	3.75
Scot Amer Inv	int	1.15	Oct 5	1.08	-	4.35
Worthington	fin	1.1†	Oct 4	1.1	1.8	1.4
Yeoman Inv Tst	int	5.5	Sept 15	5.5	-	13.6

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ⽕Third interim; makes 7.8p to date.

PUBLIC WORKS LOAN BOARD RATES

Effective July 20

	Quota loans*		
Years	EP†	A††	maturity§
1			5¾
Over 1 up to 2	6	6	6⅝
Over 2 up to 3	6¼	6¼	6¾
Over 3 up to 4	6½	6½	7
Over 4 up to 5	6⅝	6⅝	7¼
Over 5 up to 6	6¾	6⅞	7⅜
Over 6 up to 7	6⅞	7	7⅝
Over 7 up to 8	7⅛	7⅛	8
Over 8 up to 9	7¼	7⅜	8¼
Over 9 up to 10	7⅜	7½	8⅜
Over 10 up to 15	8	8¼	8⅝
Over 15 up to 25	8½	8⅝	8⅞
Over 25	8¾	8⅞	8⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

IN BRIEF

AMINEX: Applications for recent open offer received in respect of 10.2m shares, representing 71 per cent of offer and raising I£2.29m of new money. East West Oil to take up full entitlement of 4.28m shares, bringing its stake to 35 per cent of enlarged capital. East West does not intend to bid for outstanding shares.

BIRKBY has sold New Range Systems, one of the remaining Finlan trading businesses, to its management for a nominal consideration of £1.

GBE INTERNATIONAL: Rights issue taken up in respect of 2.38m shares (30.6 per cent). Issue was underwritten by Beeson Gregory.

UNICHEM has, through its E Moss retail offshoot, acquired Campbell Chemists, which owns and operates a pharmacy in Wigan, for a maximum £565,000 in shares and cash.

UNITED NEWSPAPERS: Recent rights issue taken up in respect of 38.7m shares, representing 95.7 per cent of offer. Balance of 1.72m shares placed in the market at a premium.

GOLD MINING COMPANIES' REPORTS FOR THE QUARTER ENDED 30 June 1993

All companies mentioned are incorporated in the Republic of South Africa

STILFONTEIN Gold Mining Company Limited

Company Registration No. 05/33412/06

Dump operations fund closure

Issued capital - 12 062 920 shares of 50 cents each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Ore milled - surface dumps (t)	290 000	282 000	572 000
Yield - surface dumps (g/t)	1.0	1.0	1.0
Gold produced (kg)	300	290	590
Working revenue (R/kg)	34 583	33 526	34 049
Working costs (R/kg)	31 547	30 655	31 108
(R/t milled)	32.63	31.52	32.09
Working income (R/kg)	3 036	2 871	2 941
Gold price received (R/kg)	34 329	33 175	33 752
($/oz)	346	330	338
FINANCIAL RESULTS (R'000)			
Working revenue	10 375	9 723	20 098
Working costs	9 461	8 890	17 791
Retrenchment costs	563	-	563
Working income	902	833	1 735
Sundry income - net	1 322	977	2 299
Tribute payments - net	80	75	155
Income before tax and lease	2 144	1 735	3 879
Tax and lease	-	-	-
Income after tax and lease	2 144	1 735	3 879
Capital recoupment	1 778	1 282	3 060
Dividend declared	3 816	-	3 816

REMARKS
- During the quarter 120 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 408 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.
- Interim dividend No. 75 of 30 cents per share was declared.

The GROOTVLEI Proprietary Mines Limited

Company Registration No. 01/02088/06

Mine's future depends on reducing costs

Issued capital – 11 438 816 stock units of 25 cents each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Mined (m2)	28 545	29 608	58 153
Ore milled (t)	111 000	112 000	223 000
Yield (g/t)	5.6	5.8	5.7
Gold produced (kg)	617	645	1 262
Working revenue (R/kg)	34 254	33 192	33 688
Working costs (R/kg)	32 464	30 251	31 333
(R/t milled)	180.45	174.21	177.32
Working income (R/kg)	1 790	2 851	2 333
Gold price received (R/kg)	34 020	32 887	33 441
($/oz)	348	330	338
FINANCIAL RESULTS (R'000)			
Working revenue	21 135	21 351	42 486
Working costs	20 030	19 612	39 542
Working income	1 105	1 839	2 944
Sundry income – net	1 106	1 281	2 387
Tribute payments – net	81	147	228
Income before tax and lease	2 130	2 973	5 103
Tax and lease	20	1 192	1 212
Income after tax and lease	2 119	1 781	3 891
Capital expenditure	484	90	574
Dividend declared	3 432	-	3 432

DEVELOPMENT	Quarter ended 30.6.93 Black Reef	Quarter ended 30.6.93 Kimberley Reef	Quarter ended 31.3.93 Black Reef	Quarter ended 31.3.93 Kimberley Reef	6 months ended 30.6.93 Black Reef	6 months ended 30.6.93 Kimberley Reef
Advanced (m)	536	1 244	399	1 205	935	2 446
Advanced on reef (m)	289	854	205	889	494	1 743
Sampled (m)	285	849	188	865	473	1 714
Channel width (cm)	82	16	76	13	80	14
Average value – gold (g/t)	26.9	29.9	22.1	36.1	24.6	33.2
(cm.g/t)	2 117	454	1 741	476	1 968	465

REMARKS
- Unless working costs are reduced, the future of the mine is uncertain.
- Estimated capital expenditure for the next six months – R2.8 million.
- During the quarter 247 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 875 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.
- Interim dividend No. 109 of 30 cents per stock unit was declared.

WINKELHAAK Mines Limited

Company Registration No. 55/03606/06

Stoping begins at No. 2A Sub-vertical Shaft

Issued capital – 12 190 000 shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Mined (m2)	103 520	108 002	324 028
Ore milled (t)	416 000	453 000	1 336 000
Yield (g/t)	6.5	6.7	6.6
Gold produced (kg)	2 730	3 020	6 760
Working revenue (R/kg)	34 801	33 174	33 369
Working costs (R/kg)	30 180	28 384	29 816
(R/t milled)	196.68	108.23	189.08
Working income (R/kg)	4 715	4 790	4 552
Gold price received (R/kg)	34 497	32 989	33 171
($/oz)	337	333	337
FINANCIAL RESULTS (R'000)			
Working revenue	95 281	100 184	292 304
Working costs	80 809	84 219	249 325
Retrenchment costs	1 600	1 500	3 100
Working income	12 872	14 465	39 879
Sundry income – net	2 434	2 390	6 654
Tribute and royalty payments – net	519	28	538
Income before tax and lease	14 796	16 827	45 995
Tax and lease	(748)	1 093	1 224
Income after tax and lease	15 544	15 734	44 771
Capital expenditure	6 037	19 393	28 356
Dividend declared	-	8 526	6 526
DEVELOPMENT – Kimberley Reef			
Advanced (m)	6 444	6 538	20 203
Advanced on reef (m)	1 616	1 612	5 646
Sampled (m)	1 539	1 616	5 579
Channel width (cm)	106	112	112
Average value – gold (g/t)	15.7	11.1	12.5
(cm.g/t)	1 668	1 238	1 397

REMARKS
- The stoping and development programme has started at No. 2A Sub-vertical Shaft. It is planned to reach full production of 90 000 tons per month by the middle of 1994. This will replace the more costly production from No. 5 Shaft.
- Estimated capital expenditure for the next six months – R16 million.
- During the quarter 1 092 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 4 940 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

BUFFELSFONTEIN Gold Mining Company Limited

Company Registration No. 05/33934/06

Multigold project funded by improved performance

Issued capital – 11 000 000 ordinary shares of R1 each.
– 15 288 000 cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	Year ended 30.6.93
Mined (m2)	113 527	105 133	410 491
Ore milled – underground (t)	489 000	445 000	1 788 000
– surface dumps (t)	88 000	88 000	357 000
– total (t)	557 000	533 000	2 145 000
Yield – underground (g/t)	7.2	7.5	7.4
– surface dumps (g/t)	1.9	1.9	1.0
– combined (g/t)	6.4	6.4	6.3
Gold produced (kg)	3 582	3 403	13 597
Working revenue (R/kg)	35 158	33 273	33 088
Working costs (R/kg)	29 358	29 945	29 007
(R/t milled)	188.85	184.20	183.87
Working income (R/kg)	5 790	4 328	4 079
Gold price received (R/kg)	35 158	33 126	33 096
($/oz)	348	330	342
FINANCIAL RESULTS (R'000)			
Gold – Working revenue	125 938	113 228	449 879
– Working costs	104 147	98 441	390 916
– Retrenchment costs	1 060	2 058	4 300
– Working income	20 730	14 729	55 463
Uranium – income	413	279	1 449
Sundry income – net	3 116	3 240	11 697
Tribute payments – net	1 275	922	4 881
Income before tax and lease	22 985	17 326	63 629
Tax and lease	2 369	6 719	14 322
Share of income – Beatrix mine	1 524	1 333	5 143
Income after tax and lease	22 050	12 940	54 445
Capital expenditure	12 193	260	12 292
Dividends declared – ordinary shares	18 150	-	34 650
– preference shares	8 000	7 000	27 000
DEVELOPMENT – Vaal Reef & "C" Reef			
Advanced (m)	3 740	3 874	15 380
Advanced on reef (m)	369	450	1 687
Sampled (m)	408	478	1 734
Channel width (cm)	76	79	85
Average value – gold (g/t)	23.2	26.4	21.8
(cm.g/t)	1 761	1 850	1 848

REMARKS
- Estimated capital expenditure for the next six months – R31.1 million.
- During the quarter 1 433 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 5 492 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.
- Final dividends No. 72 of 185 cents per ordinary share and No 25 of R8 million in respect of the cumulative preference shares have been declared.

Beatrix mine

(A division of Buffelsfontein Gold Mining Company Limited)

Improved performance funds capital expenditure

In terms of an agreement, 16 percent of the distributable income from the Beatrix mine is attributable to Buffelsfontein and 84 percent to Beatrix Mines Limited.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	Year ended 30.6.93
Mined (m2)	102 958	116 042	468 445
Ore milled (t)	520 000	525 006	2 078 000
Yield (g/t)	6.3	6.1	6.1
Gold produced (kg)	2 250	3 200	12 704
Working revenue (R/kg)	34 808	33 124	32 617
Working costs (R/kg)	21 182	22 171	22 248
(R/t milled)	132.39	136.14	136.00
Working income (R/kg)	12 626	19 953	19 671
Gold price received (R/kg)	34 733	33 002	32 858
($/oz)	349	331	341
FINANCIAL RESULTS (R'000)			
Working revenue	113 126	105 997	416 182
Working costs	68 583	79 540	280 499
Retrenchment costs	258	408	2 111
Working income	44 285	35 061	135 572
Sundry income – net	3 913	1 775	6 116
Royalty payments – Beatrix Mines Limited	16 969	16 899	62 727
Income before tax and lease	30 329	20 927	80 961
Tax and lease	11 707	6 966	30 703
Income after tax	16 622	19 961	50 258
Capital expenditure	9 087	1 444	14 167
Dividends on preference shares	6 006	7 000	27 000
DEVELOPMENT – Beatrix Reef			
Advanced (m)	6 263	6 491	32 817
Advanced on reef (m)	1 464	2 516	6 089
Sampled (m)	1 643	2 588	7 864
Channel width (cm)	38	49	52
Average value – gold (g/t)	20.6	16.6	18.0
(cm.g/t)	782	854	929

REMARKS
- Estimated capital expenditure for the next six months – R15 million.
- During the quarter 1 300 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 4 737 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.
- Following the recent labour unrest on the mine, the surface reef stockpile was depleted. However, the labour situation has since returned to normal after 1 700 employees left the mine.
- Expenditure of R76.56 million, in January 1993 terms, for declines to access the ore reserves below 16 Level, has been approved.

BRACKEN Mines Limited

Company Registration No. 58/01128/06

Rehabilitation progressing well

Issued capital – 14 000 000 shares of 90 cents each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	9 months ended 30.6.93
Mined (m2)	684	2 094	5 245
Ore milled (t)	4 864	6 068	30 392
Yield (g/t)	40.6	36.1	29.3
Gold produced (kg)	195	220	892
Working revenue (R/kg)	38 036	33 827	34 056
Working costs (R/kg)	16 764	22 973	18 399
(R/t milled)	761.66	830.16	540.91
Working income (R/kg)	16 272	19 864	15 657
Gold price received (R/kg)	34 781	32 949	33 043
($/oz)	341	330	339
FINANCIAL RESULTS (R'000)			
Working revenue	7 417	7 442	30 376
Working costs	2 690	4 484	13 432
Retrenchment costs	969	590	2 980
Working income	2 758	2 368	13 966
Sundry income – net	1 227	1 304	3 622
Tribute and royalty payments – net	40	33	144
Income before tax and lease	4 845	3 669	17 444
Tax and lease	2 443	2 369	12 566
Income after tax and lease	1 499	1 300	4 878
Capital recoupment	316	10	2 440
Dividend declared	-	5 000	6 000

REMARKS
- During the quarter 76 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 11 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

KINROSS Mines Limited

Company Registration No. 03/06226/06

Excellent performance

Issued capital – 18 000 000 stock units of R1 each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Mined (m2)	108 680	191 885	314 761
Ore milled (t)	468 000	475 000	1 433 000
Yield (g/t)	6.7	6.7	6.7
Gold produced (kg)	3 120	3 133	9 533
Working revenue (R/kg)	34 569	33 006	33 343
Working costs (R/kg)	24 039	24 752	24 357
(R/t milled)	160.95	165.87	163.17
Working income (R/kg)	10 549	8 254	8 986
Gold price received (R/kg)	34 384	32 731	33 123
($/oz)	344	333	340
FINANCIAL RESULTS (R'000)			
Working revenue	109 227	108 058	217 858
Working costs	75 002	78 787	232 180
Working income	33 225	26 271	85 682
Sundry income – net	4 241	3 415	19 316
Tribute and royalty receipts – net	227	199	281
Income before tax and lease	27 693	29 805	96 258
Tax and lease	14 705	11 167	35 264
Income after tax and lease	22 988	18 698	60 994
Capital expenditure	7 674	6 171	22 531
Dividend declared	-	21 600	21 600
DEVELOPMENT – Kimberley Reef			
Advanced (m)	4 742	5 091	14 787
Advanced on reef (m)	1 255	1 444	3 880
Sampled (m)	1 228	1 455	3 869
Channel width (cm)	45	43	38
Average value – gold (g/t)	22.0	21.0	21.9
(cm.g/t)	671	877	854

REMARKS
- Estimated capital expenditure for the next six months – R16 million.
- During the quarter 1 248 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 4 458 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

ST. HELENA Gold Mines Limited

Company Registration No. 05/20743/06

Sharply higher dividend

Issued capital – 9 625 000 ordinary shares of R1 each.
– 3 825 035 'A' cumulative preference shares of R1 each.
– 3 826 038 'B' cumulative preference shares of R1 each.
– 2 465 000 'C' cumulative preference shares of R1 each.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Mined (m2)	29 427	23 972	52 399
Ore milled (t)	173 000	149 000	321 000
Yield (g/t)	6.3	7.3	6.6
Gold produced (kg)	1 082	1 086	2 167
Working revenue (R/kg)	35 468	33 069	34 266
Working costs (R/kg)	22 755	32 302	32 529
(R/t milled)	204.86	236.81	216.59
Working income (R/kg)	2 711	767	1 737
Gold price received (R/kg)	35 314	32 827	34 069
($/oz)	348	333	349
FINANCIAL RESULTS (R'000)			
Working revenue	38 374	35 980	74 254
Working costs	35 441	35 048	79 489
Working income	2 933	832	3 765
Sundry income – net	6 496	6 708	16 204
Income before tax and lease	11 429	7 540	16 969
Tax and lease	6 801	2 885	8 686
Income after tax and lease	6 628	4 655	19 283
Capital expenditure	52	826	878
Dividend declared – ordinary shares	6 161	-	6 161

DEVELOPMENT	Quarter ended 30.6.93 Basal Reef	Quarter ended 30.6.93 Leader Reef	Quarter ended 31.3.93 Basal Reef	Quarter ended 31.3.93 Leader Reef	6 months ended 30.6.93 Basal Reef	6 months ended 30.6.93 Leader Reef
Advanced (m)	413	61	569	16	982	77
Advanced on reef (m)	52	51	86	16	138	67
Sampled (m)	45	54	84	16	129	69
Channel width (cm)	123	175	138	231	133	165
Average value – gold (g/t)	14.9	2.2	15.9	1.2	15.6	2.0
(cm.g/t)	1 835	391	2 164	267	2 069	362

REMARKS
- Estimated capital expenditure for the next six months – R2.4 million.
- During the quarter 433 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 1 687 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.
- Treatment of slimes by Free State Consolidated Gold Mines (Operations) Limited yielded a credit of R5.4 million for the quarter.
- Interim dividend No. 76 of 85 cents per ordinary share was declared.

Oryx mine

(A division of St. Helena Gold Mines Limited)

Accelerated development

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Ore milled (t)	44 000	59 000	103 000
Gold produced (kg)	102	108	219
FINANCIAL RESULTS (R'000)			
Net income before tax and lease	510	277	787
Capital expenditure	80 387	67 459	147 649

REMARK
The commissioning of the main sub vertical shaft has facilitated an increase in the development rate from 2 948 metres to 5 276 metres in the current quarter.

UNISEL Gold Mines Limited

Company Registration No. 72/10604/06

Difficulties encountered in maintaining payable ore reserves

Issued capital – 28 000 000 shares of no-par value.

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	9 months ended 30.6.93
Mined (m2)	34 260	35 745	116 289
Ore milled (t)	190 000	225 000	660 000
Yield (g/t)	6.3	6.4	6.3
Gold produced (kg)	1 200	1 450	4 084
Working revenue (R/kg)	35 288	32 907	33 459
Working costs (R/kg)	29 446	26 248	27 489
(R/t milled)	185.97	169.15	172.72
Working income (R/kg)	5 820	6 659	5 970
Gold price received (R/kg)	35 194	32 810	33 404
($/oz)	346	333	342
FINANCIAL RESULTS (R'000)			
Working revenue	42 316	47 715	136 647
Working costs	34 144	38 059	109 863
Retrenchment costs	1 191	-	2 384
Working income	6 984	9 656	24 380
Sundry income – net	1 389	1 676	2 863
Milling fee and royalty payments	886	1 484	3 843
Income before tax and lease	7 487	9 248	23 520
Tax and lease	1 537	2 487	6 024
Income after tax and lease	5 950	6 761	17 496
Capital expenditure	2 776	858	5 356
Dividend declared	-	5 600	5 600

DEVELOPMENT	Quarter ended 30.6.93 Basal Reef	Quarter ended 30.6.93 Middle Reef	Quarter ended 30.6.93 Leader Reef	Quarter ended 31.3.93 Basal Reef	Quarter ended 31.3.93 Middle Reef	Quarter ended 31.3.93 Leader Reef	9 months ended 30.6.93 Basal Reef	9 months ended 30.6.93 Middle Reef	9 months ended 30.6.93 Leader Reef
Advanced (m)	2 341	84	346	2 706	67	186	8 367	182	702
Advanced on reef (m)	328	63	214	437	25	152	1 254	108	300
Sampled (m)	323	63	207	364	22	177	1 080	191	476
Channel width (cm)	93	53	189	106	118	192	94	119	176
Average value – gold (g/t)	10.3	19.1	4.8	7.4	5.2	2.5	8.7	19.4	3.4
(cm.g/t)	955	935	770	788	615	477	814	1 143	601

REMARKS
- Production levels have been reduced to 900 kilograms per quarter due to the lower than expected values of recent Basal Reef development, and large wash out areas of Basal Reef.
- Estimated capital expenditure for the next six months – R6.7 million. This includes R4.5 million for additional refrigeration.
- During the quarter 480 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 1 554 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

LESLIE Gold Mines Limited

Company Registration No. 59/01124/06

Steady results

Issued capital – 18 000 000 shares of 65 cents each

OPERATING RESULTS	Quarter ended 30.6.93	Quarter ended 31.3.93	6 months ended 30.6.93
Mined (m2)	31 018	30 519	88 491
Ore milled (t)	88 500	100 200	296 800
Yield (g/t)	6.8	6.6	6.7
Gold produced (kg)	666	660	1 987
Working revenue (R/kg)	35 980	33 186	33 868
Working costs (R/kg)	27 107	26 579	26 745
(R/t milled)	183.28	175.07	179.05
Working income (R/kg)	8 873	6 607	7 133
Gold price received (R/kg)	35 023	33 034	33 491
($/oz)	343	330	339
FINANCIAL RESULTS (R'000)			
Working revenue	23 963	21 903	67 296
Working costs	18 053	17 542	53 142
Working income	5 919	4 301	14 153
Sundry income – net	683	588	1 724
Tribute and royalty payments – net	22	6	112
Income before tax and lease	6 571	4 944	15 765
Tax and lease	2 840	1 670	6 532
Income after tax and lease	3 731	3 074	6 233
Capital expenditure	1 266	563	2 201
Dividend declared	-	2 200	2 200
DEVELOPMENT – Kimberley Reef			
Advanced (m)	958	1 191	3 588
Advanced on reef (m)	489	607	1 321
Sampled (m)	494	604	1 322
Channel width (cm)	29	43	30
Average value – gold (g/t)	24	20	22
(cm.g/t)	690	852	801

REMARKS
- Estimated capital expenditure for the next six months – R4 million.
- During the quarter 266 kilograms of gold were closed out in accordance with the hedging programme at an average price of R33 675 per kilogram. As of 30 June 1993 – 999 kilograms were hedged at an average price of R35 464 per kilogram. These contracts expire before or during May 1994 and the position is managed on an ongoing basis.

NOTES

1. On 21 July 1993 dividends were declared by certain of the abovementioned companies, payable to members registered at the close of business on 6 August 1993.

   The dividends are declared in the currency of the Republic of South Africa. Payments from the United Kingdom office will be made in Sterling at the rate of exchange ruling on 3 September 1993, or the first day thereafter on which a rate of exchange is available.

   Dividend warrants will be posted on 17 September 1993.

In the case of non-resident shareholders, the applicable taxation will be deducted.

The full conditions of payment may be inspected at or obtained from the registered office.

2. Development values represent actual results of sampling. No allowance has been made for any adjustments which may be necessary when estimating ore reserves.

3. All financial figures are unaudited.

By order of the respective boards
General Mining, Metals and Minerals Limited
Secretaries
per: D J D Ross
Manager: Administration and Secretarial Services

Johannesburg, 21 July 1993

Transfer offices	Registered office
South Africa: Central Registrars Limited, 154 Market Street, Johannesburg 2001 (PO Box 4844, Johannesburg 2000)	General Mining Building, 6 Hollard Street, Johannesburg 2001 (PO Box 61820, Marshalltown 2107)
United Kingdom: Barclays Registrars, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU	London office: Gencor (UK) Limited, 30 Ely Place, London EC1N 6UA

Copies available from London Office

GENMIN GROUP

Eve Group improves 27% to £4.15m

By Andrew Taylor, Construction Correspondent

PRE-TAX profits of Eve Group, tba specialist contractor, jumped by 27 per cent from £3.26m to £4.15m during the 12 months to the end of March – in spite of enduring the "worst construction industry recession for half a century."

The company has increased dividend payments every year since it floated on the USM in 1986. The final dividend this time is raised to 7.3p making a total of 10p (9.7p) for the year.

Following the better-than-expected results, the shares rose 23p to 400p.

Profits would have been even higher but for a £500,000 provision against its commercial property interests. Turnover rose from £39.1m to £53m while earnings per share increased by more than a fifth from 22.5p to 27.4p.

The outcome also included £265,000 representing five months' profits from Graham Bros, the Middlesbrough-based specialist electrical contracting and engineering company, acquired last autumn.

Eve's strength is its specialist contracting division, which is one of only a handful of companies carrying out work for the National Grid Company, erecting transmission lines and pylons. The division also erects transmission towers for radio, telecommunications and television companies.

The divisioo's turnover and profits have remained strong in spite of recession in the rest of tbe construction industry, which has prompted a sharp fall in margins in Eve's general building business.

Construction profits, whicb includes specialist contracting and general building, rose by a quarter from £3.15m to £3.95m. This was despite a fall in the division's profit margins from 8.6 per cent to 8.2 per cent, said Mr Gerald Hough, managing director.

Profits from Trakway, whicb provides portable roadways for construction sites, exhibitions and concerts, rose from £656,000 to £2.88m, helped by an increase in pop concert work, said Mr Hough.

Property development losses rose from £104,000 to £576,000 after the £500,000 provision.

Construction industry analysts said they expected the group to make profits of at least £5m this year, provided there were no further provisions.

Renishaw shares fall on profit warning

By Richard Gourlay

SHARES IN Renishaw, the engineering group that makes specialist measuring equipment, fell 34p to 240p yesterday after the group warned its profits would not meet market expectations.

It said pre-tax profits for the year ended June 30 would be 20 to 25 per cent lower than the maintained £9m expected by the City.

Germany, France and Japan, its main markets, were still suffering from worldwide recession. The gronp relies heavily on selling its measuring probes to makers and users of the industrialised world's machine tools.

Mr Ben Taylor, assistant chief executive, said Renishaw had also sold forward some of its export earnings, including most of its D-Marks, just before sterling was forced out of the ERM last September.

Had this approach not been adopted, devalnation would have allowed translation gains to draw the sting from the lack of trading recovery in Japan and Germany.

Renisbaw said that while profits would fall below market expectations this year, there wera "indications of increased activity in the North American market, growing demand in the UK and indications of substantial potential demand in the Far East."

Demand for new products, like its scanning products and microscopes, were also "encouraging".

The group would also benefit this year from sterling's departure from the ERM.

At the end of June the group realised sales In Germany and Japan particularly had been softer than expected.

Mr Taylor said margins had also come under some pressure, particularly from some customers who had promised discounts to their customers and wanted Renishaw to share some of the pain.

National Express buys East Midlands Airport

By Paul Cheeseright, Midlands Correspondent

NATIONAL EXPRESS, the motor coach services group, is expanding into airport management with the acquisitiou for £27.1m of East Midlands International Airport at Castle Donington, Leicestershire.

The purchase marks the first privatisation of a leading regional airport. East Midlands is the fourth largest in the UK.

Last month National Express emerged as the leading bidder of four contenders for the airport, and has since been negotiating the price with accountants KPMG Peat Marwick, which acted for the local authority owners.

National Express is funding £3.75m of the consideration through a placing of 1.8m new shares, which represent about 5 per cent of the capital, at 210p a share. Yesterday the shares moved up 8p to 223p.

The issue has been underwritten by Morgan Grenfell; Smith New Court Corporate Finance are brokers.

However, the bulk of funding comes from the group's own cash holdings (£5.8m) and from £17.5m of medium-term bank debt. This borrowing means the group is taking on gearing which, by the end of this year, should be 50 per cent.

The airport's net asset value is £10.3m higher than the purchase price at £37.4m and it is generating cash. In the year to last March its pre-tax profits rose to £3.36m on turnover of £17.8m, from £2.48m on turnover of £15.8m.

As an investment the airport stands alone. Mr Adam Mills, deputy chief executive, said that any capital expenditure until about the end of the century could be funded internally. "The airport has the resources to do most things it wants to do in the foreseeable future."

National Express takes over the airport from the Derbyshire, Leicestershire and Nottinghamshire County Councils and tba Nottingham City Council. The other contenders to buy it were a management buy-out team, Lockheed, the US group, and Regional Airports, a privately-owned UK company.

Verity seeks £5.9m in move to reduce borrowings

By Peter Franklin

IN A move to reduce gearing and strengthen its balance sheet, Verity Group, the USM-quoted company which manufactures and distributes Wharfedale and Mission loudspeakers, is seeking to raise £5.9m net of expenses via two placings and an open offer.

Directors said that, in the light of the forecast loss of up to £4.25m for the year to June 30 and the resultant diminution in net assets, an injection of fresh funds was necessary to secure the company's future.

Verity proposes to raise £4.9m via a placing and open offer of 83.3m shares at 6½p each.

Qualifying shareholders will be entitled to apply for the new shares on a 19-for-23 basis. Verity's management is committed to subscribe (subject to clawback) for £1.8m of the shares.

There will be a separate placing of 15.4m shares, also at 6½p, with Tomei, a Hong Kong-based manufacturer of electronic and electrical products which acts as a distributor for Verity's products.

Because Tomei has conditionally subscribed for a fixed number of new shares, shareholders will not be antitled to a clawback.

Following the placing Tomei will bold aboot 7.7 per cent of Verity.

In addition to the offers, Bank of Scotland will subscribe £1.5m for preference shares In Verity Investments, a wholly owned subsidiary.

The proceeds of the subscription will be used to fund the purchase of the Huntingdon property from Centralforce Holdings, from which Verity acquired the Missіon and Cyrus brand names in September 1992.

These proceeds will in turn be used by Centralforce to repay the mortgage on the Huntingdon property and to reduce group borrowings.

As a result of the proposals Verity's gearing will be reduced to about 34 per cent and net assets Increased to some £7.8m.

In order to enhance the marketability of Verity's shares, the directors have applied to the Stock Exchange for a full listing. Dealings are expected to begin at August 19.

Worthington looks to current year

WORTHINGTON Group, the Staffordshire-based textile accessories company, saw pretax profits tumble 38 per cent over the 12 months to March 31.

The decline – from a restated £1.06m to £652,000 – reflected the continuing disappointing performance of the button wbolasaling and trimming operations.

However, Mr Jack Grant, chairman, sounded an optimistic note: "The first quarter of the current year has seen significant improvements in all trading operations ... problems in our button business appear to have now been resolved."

Turnover improved to £14m (£13.6m). Comparisons for the previous year were restated to allow for the merger accounting of Hulme Holmberg and Atorp, acquired in August.

Mr Grant said the group planned further expansion, both through organic growth and acquisition.

The final dividend is held at 1.1p making a total of 1.6p (1.4p), payable from earnings of 3p (4.3p) per share.

First Maryland Bancorp up 27%

First Maryland Bancorp, the wbolly owned US snbsidiary of Allied Irisb Banks, yesterday reported profits up 27 per cent to $31m (£20.6m) for the second quarter of 1993.

This brings the outcome for tbe first six months of the year to $59.5m, an increase of 34 per cent over tbe comparable period of 1992, and representing a return on assets of 1.29 per cent and a return on equity of 16.47 per cent.

Improvement in net interest margin from 4.48 per cent to 4.7 per cent, an increased volume of earning assets and bigber non-interest iucome, inclndlng securities gains, were tbe principal contributors to tbe rise in profits, directors explained.

NEWS DIGEST

Waterglade calls off board move

WATERGLADE International and its associates have withdrawn their requisition to Seafield, the Dublin-based transport and property group, to hold an extraordinary meeting to replace the entire current board with executive directors of Waterglade.

Mr Brian Chilver, chairman of Seafield, said "Waterglade's decision to cancel their move is most welcome. We can now get on with running the company for the benefit of all shareholders."

Asset increase for Scottish American

At June 30 1993 net asset value of Scottish American Investment stood at 163.1p, a rise of 10.9p over the December 31 figure.

On June 30 1992 the value was 135.6p.

There is a second Interim dividend of 1.15p, making 2.29p to date. Directors are forecasting an increase of 6.4 per cent to 4.63p in the total, which will more than compensate shareholders affected by the reduction of tax credits.

In the first half of 1993 income totalled £8.31m (£6.61m). Net revenua amounted to £3.84m (£4.58m) for earnings per share of 1.72p (2.05p).

Yeoman net assets improve to 400p

Net asset value of the split-capital Yeoman Investment Trust amounted to 400.4p per capital share at June 30, up from 343.4p at the December year-end and 161.2p at end-June 1992.

Tha trust, managed by Abbey Life Investment Services, reported net revenue of £2.03m (£1.58m) for the six months to June 30, equivalent to earnings of 8.26p (6.43p) per income share.

The interim dividend is unchanged at 5.5p.

Eurotunnel adjusts warrants terms

Following the issue of free warrants to existing shareholders, Eurotunnel has adjusted the number of units for which holders of founder warrants and 1991 warrants are entitled to subscribe.

The bolder of one founder warrant can now subscribe for 11.20 units (previously 10.78) at £9.72 plus FFr100 (£11.36). This takes effect from July 23.

The holder of one 1991 warrant can apply for 1.11 units (formarly 1.07) at £1.75 plus FFr17.50.

They are not exercisable at present.

Trust of Property asset value jumps

Over tbe six months ended June 30 1993 uet asset value of Trust of Property Shares rose by 44 per cent, against a growth of 37 per cent in the Property Index.

The trust was boosted by a 48 per cent increase in its principal eqnity holding, Tops Estates, the town centres shopping investment company.

Value per sbare was 82.43p, compared with 57.14p. At June 30 1992 it stood at 69.02p.

Net revenue totalled £30,518 (£30,602) and earnings per sbare worked througb at 0.462p (0.464p).

TECHNOLOGY

HPC

COMPANY SNAPSHOT

Hills Precision Components originated as Charles Hill & Co in 1919 and specialised in the manufacture of die-castings for the automotive industry. It started manufacturing plastic components for cars in 1954 in Coventry. Since 1992, it is 25 per cent-owned by Peugeot-Talbot UK and 75 per cent-owned by the French component manufacturer, ECIA, itself majority-owned by Peugeot France.

Nature of Business: Manufacture of components for the automotive industry, including soft trim and plastics, which go to make up complete seats, facias, steering wheels and door panels. HPC delivers complete sub-assembled seats and facias to Peugeot Talbot at Ryton, which accounts for 75 per cent of its turnover, but other customers include Jaguar Cars, Rover, Honda and Massey Ferguson.

Turnover: £35m in 1992, £27m in 1991.

Employees: 400, based at the factory in Stoke, Coventry.

Key personnel: Bill Farmer, managing director, Bill McGilvray, supply manager.

TECHNOLOGY FILE

Software: The Data 3 manufacturing system provides a central pool of information to every department in the company, including production and sales and marketing. Data 3 is at the centre of HPC's adoption of Just-in-Time manufacturing techniques.

Hardware: IBM AS400 D45, supporting up to 40 terminals. It has communications links with parent systems in France, including a mainframe. The computer is soon to be upgraded as a result of adding financial, forecasting, receiving and engineering systems: remote links have also slowed response time.

Supplier: Hoskyns, the UK consultancy owned by French software house CGS, implemented and supported the original Data 3. Hoskyns is the UK agent for the ASK Group, owner of Data 3, a US-based specialist in manufacturing software. The French ASK agent, Unilog, has customised Data 3 for HPC's parent group, and HPC now uses the French version to keep in step with other European users in the same group.

Value of system: £150,000 per year (Local AS400 terminals etc). £35,000 software licence per annum.

The Peugeot plant in Coventry has adopted leaner manufacturing, standardisation and a just-in-time philosophy, writes **Claire Gooding**

On the road to a slicker operation

SOFTWARE AT WORK

The assembly line at Peugeot's Ryton plant in Coventry stops and a group of men and women converge on one car. There is an urgent, almost wordless, team effort, with people pulling, prodding and drilling at parts of the car, an embryonic Peugeot 405, before they rush back to their production jobs along the line. The delay while the problem is fixed in just 10 seconds. Then the line restarts and the vehicle's individual build-chart receives a tick and a comment.

"Quality is something you build in; it can't be inspected into a vehicle" says Colin Poynton, materials handling manager at Ryton. Two hours previously, the car did not exist, in another 10 hours, it will roll off the assembly line, ready to drive away. The people around the assembly line appear to be performing a precise, high-pressure formation dance, in an endless race with the slow-moving line. The plant produces right and left-hand drive 306 and 405 family models for the UK, New Zealand, Cyprus and parts of Africa and left-hand drive vehicles for most of Europe.

The process of building a new car has come a long way since Henry Ford decreed "any colour so long as it's black". Customers hold the whip hand on choice of specification and colour. Each car that comes off the line has been specified, with dozens of choices already made, down to the colour of the seats, trim and even the facia. More than 57 per cent of the cars' contents originate in the UK.

Computerisation was introduced to the Ryton plant in 1985. It had to come to grips with the immense changes brought about by "lean manufacturing", but now has a smooth *kanban* operation – a Japanese-derived form of stock control – in which parts are replenished within five, and sometimes only two hours.

"We're continually aiming to reduce the stock we hold," explains Poynton. He recalls when the cavernous factory was filled almost to the roof with racking for components and the metal "stillage" trays used for large sub-assembled parts. Now, the stacks carry only the parts used for the cars within view and fork lift trucks pass constantly up the empty aisles replenishing the queues, carrying parts that have been assembled and delivered in a couple of hours.

"There was a time when everybody wanted to build up stocks, and make time for themselves. There is a different attitude now. What we want is a consistent work rate, keeping the stock level right. Now it's second nature, but only as a benefit of re-education," says Poynton. The slick operation puts high demands on suppliers to Peugeot Talbot, the UK operation of the French group. In common with many manufacturers, Peugeot is developing "partnership" deals, aiming for one supplier per part. The suppliers for its 8,300 components have been reduced from 600 to 380. In the case of the facias, the supplier, Hills Precision Components, is nearby, but most communications are done through electronic data interchange (EDI). Poynton gives as an example the eight cars being built for New Zealand.

"Until we have the first four on the line here, we won't even pass the order for the facias and seats to the supplier for the next four." Twelve times a day, faxes arrive on the HPC shop floor, specifying facia assemblies for delivery to Ryton. There is a precise requirement for each one, including left or right-hand drive and four colours. The company assembles them from its stock, and delivers the completed components within two hours. Seats, door casings and steering wheels are on continuous order, in a constant flow for individual cars. Part of the job was creating single supplier relationships, along the same lines as Peugeot Talbot.

This meant reducing the supplier base to 250 reliable "partners" for the 3,000 or so different components. Even when the system of Bill McGilvray, the supply manager, had halved the inventory, he estimated that around £550,000 worth was "still floating around in the manufacturing process". This is another classic manufacturing conundrum, as people tend to squirrel away their own supplies – a "just in case" mentality that undermines "just-in-time" methodology. "It was difficult to get across who owned that material. People always think there's something else on the way, but it doesn't work like that."

Peugeot Talbot is a part-owner of HPC, and its largest customer, but by no means its only one. From 1987 onwards, HPC's customer base expanded to include Jaguar Cars, Rover and Honda. Its product range, once limited to soft trim and plastic moulding, was extended to include the entire seat, steering wheels and facias. With a 20-fold increase in turnover between 1983 and 1993, it became clear that new systems were needed to accommodate the variety of work and customers.

Two years ago, HPC decided to invest in a broader-based manufacturing system that would support all aspects of the cycle. The decision came at a time when an associated company in HPC's parent group was reviewing and standardising software systems. HPC decided to tap into central expertise, and took a version of the Data 3 package from its French parent. A steering committee, and a constant updating of skills eased the introduction of the new system at HPC. Nevertheless, the implementation was not without hiccups, mainly because of problems with customisation and associated training requirements.

In 1991, HPC was falling so far behind schedule that it decided to take the French version of the system from its parent. This is used throughout France and Europe, with new releases verified centrally before implementation. This results in group-wide standardisation, well worth the effort of using screens in French according to McGilvray. The Data 3 software now provides full control over in-process stocks, enabling HPC to pass some of the just-in-time philosophy on to its own suppliers.

McGilvray has been able to introduce some local flexibility. For instance, he buys foam from an English supplier and uses a local transport company to provide a buffer by storing the foam, a sort of halfway house which saves on space at the HPC site.

"Data 3 has focused us on how we look at the business in a structured way. The mentality has changed. At the monthly meetings on sales and operations planning, we now look at what's happened, and at the next four months and its implications, something we could not have done before."

Both Poynton at Peugeot Talbot, and McGilvray at HPC, have had to give up individual systems that have served them well, in the cause of standardisation. McGilvray misses his trusty Adds Mentor receiving system which in some areas provided more tailored functions than Data 3. But both managers were enthusiastic about the benefits of standardisation and improvement of communication throughout the Peugeot group.

"More resources going into standardisation means more ideas" says Poynton. "We now have the benefit of people throughout Europe feeding good ideas into the system and thinking of ways to improve it."

Just-in-time: Bill McGilvray (left) and Colin Wilson of Hoskyns watch the robotised manufacture of facias using Data 3

BUZZWORDS

LEAN MANUFACTURING (originated at Toyota), refers to the production of a varied product with fewer people, less space, and a smaller inventory, underpinned by flexible MRP II (Management Resources Planning) software. This also means multi-skilled teams and flexible mechanisation, catering for volume and variety.

JUST-IN-TIME (JIT) systems, refers to the process where each component is flagged by a card (*kanban*). When the rack, bin, or container is empty, the return of the card down the line to the shop floor indicates the need to replenish the bin. At Peugeot Talbot the *kanban* is an electronic barcode and messages are sent electronically.

CONSULTANT'S CRITIQUE

The relationship with software suppliers is complicated. While Hoskyns markets Data 3 in the UK, it does not have the rights in France. When updates are released to ECIA plants in France, the French supplier has no interest in helping Hoskyns – a direct competitor – to maintain the UK version. HPC has the choice of missing updates or taking them in French. Its choice of the latter must delight the parent company which encourages workers to study foreign languages.

Making parts to order, rather than having long production runs has demanded greater flexibility of Hill's staff. While McGilvray expected resistance, the workers actually value the variety. This is in line with the predictions of job design experts who suggest job satisfaction can be improved by increasing variety and autonomy.

Underlying this is an implicit trust in the workforce. Twenty years ago, wildcat strikes would have made the whole thing impossible. No manager would have risked holding only a few hours' stock.

"Just in time" is an effective technique but a finely balanced one. Traffic delays could bring production to a halt.

HPC keeps a five-day buffer of foam via a transport company. The foam belongs to the manufacturer and does not appear on HPC's balance sheet. HPC pays a small premium to hold the reservoir nearby. Such "off-balance sheet" stockholding must be a business opportunity for other intermediaries.

McGilvray has brought may changes to HPC, which has affected the bottom line – turnover and profit have increased dramatically. This is the acid test for any system.

Lessons from this study:

- **Effective use of IT can transform production capability.**
- **Just-in-time merely pushes your stockholding problem on to someone else.**
- **Opportunities may be created for intermediaries to hold buffer stocks as off-balance sheet items.**

Kevin Grumball

The author is a consultant at Software Design and Construction, of Milton Keynes

MANAGEMENT: MARKETING AND ADVERTISING

Damian Fraser and Joel Kibazo report on the growing market for ads aimed at Hispanic and black audiences

Complementing the mainstream

One of the latest and most effective US television advertisements from Avon, the US cosmetic company, portrays a child gently touching the face of its mother, associating a new skin-care product with youth, family and purity.

The advertisement was memorable for Avon because it was produced in Spanish, shown on the two US Spanish-language networks and was culturally tailored to the child-loving Hispanic audience. Soon after being aired, the product "Anew" became the number one skin lotion for US Hispanics.

Similar successes in Hispanic marketing can now be found throughout corporate America, as big companies wake up to the implications of a rapidly growing Hispanic market of some 24m consumers. Last year Hispanics spent an estimated $221bn (£147bn) – about 5 per cent of the US total.

Coca-Cola, which in common with Avon has a dedicated Hispanic marketing department, recalls that five years ago it made just five creative Hispanic television and three radio spots in the year. Now it makes 20 Hispanic televisinn spots a year, and 10-12 radio ads, and enjoys a commanding lead in the soft-drinks market for Hispanics.

While companies such as Coca-Cola also target advertising at other minorities, such as blacks or Asian-Americans, this complements rather than substitutes mainstream advertising. Such minorities do not have their own language or television network, making it harder to target them as a group.

Most Hispanics, by contrast, do not fully understand English, prefer when possible Spanish to mainstream Anglo television, and rarely read English-language newspapers and magazines. That leaves big companies, keen to capture Hispanic market share, little choice but to air Spanish-language ads.

The result has been something of a boom in Spanish-language advertising, with scores of Hispanic advertising companies setting up in the past decade to cash in on the growth. In 1991, Hispanic agencies billed $733.5m, up from $350.1m in 1988, according to Hispanic Business, a California-based magazine.

Riding the crest of the wave are the two Spanish-language networks, Univision and Telemundo. While over-burdened by debt, their revenues have increased by an average 20 per cent a year since 1987. Joaquin Blaya, who moved from chief executive of Univision to head of Telemundo last year, says: "For years we could not even get to see companies. Now we are being called all the time to make presentations."

The Hispanic marketing is fed not just by large numbers of Hispanics, but by expected growth over the next decade. By 2000 Hispanic population is likely be more than 30m, and will be at the point of overtaking blacks as the US's largest minority. Consumer spending will have risen to $438bn, about 7 per cent of the then total, according to a study by DRI/McGraw Hill.

Hispanics already account for one out of four new households, according to Doug Darfield, vice-president at Univision, and are crucial to businesses hoping to capture new markets, especially in household goods. Since many have just arrived in the US, they are easily influenced by advertisements, not having well-established consumer tastes.

Hispanic advertisements that are straight translations of English ones usually fail to work. Hispanics are younger, more family-orientated and less knowledgeable about US consumer culture than Anglos. Even when mainstream Anglo-style advertisements are translated, many Hispanics do not respond to appropriately and may not even understand them.

US companies have drawn up distinctive campaigns to draw Hispanics to their products. In Texas Coca-Cola runs advertisements with a well-known Hispanic singer, Selina, hoping to convince Hispanic customers that Coca-Cola is "talking to me, is relevant, says who I am", according to Bonnie Garcia, the head of the Hispanic consumer market department at Coca-Cola.

Often companies have to tailor advertisments to local Hispanic markets, since Hispanic consumers vary. The wealthy Cuban-American in Miami has little in common with the poor Mexican-American in southern California, or the Puerto-Rican in New York. Car advertisements in Miami might thus show a flashy sports car, but in southern California a pick-up truck.

Occasionally companies send different, even conflicting messages to Anglo and Hispanic consumers. Lionel Sosa, of Sosa Bromley Aguilar & Associates, contrasts an Anglo campaign of Western Union, that stresses speed at which money is delivered ("the fastest way to save money"), with the Hispanic slogan that stresses the safety ("uniting families for 120 years").

Not all Hispanic ads are so successful. David Flynn from the Hispanic arm of GSD&M, an agency in San Antonio, Texas, recalls a Hispanic ad for an insurance company that portrayed an elderly woman in a nursing home, lauding the benefits of her insurance coverage. Hispanics look after their ageing parents and grandparents at home.

DF

Coca-Cola is running a distinctive Hispanic ad in Texas

Pink Lady regains her fizz

Two years ago Gaymer Group brands director Gary Holloway had a problem: how to revive Pink Lady, a sparkling perry drink whose sales were looking distinctly flat.

Advertising and promotion campaigns by some of the leading agencies in the UK had failed to stem the decline and the demise of the 30-year-old brand seemed only a matter of time.

It was then that research carried out for the company identified strong demand for Pink Lady in areas of London with a large black population. The idea of targeting this group of drinkers was born, the specialist agency WM&P was hired and the task of putting the fizz back into Pink Lady had begun.

Advertising agencies which focus on Britain's ethnic minorities are not only relatively new – WM&P was formed in 1989 – they have provoked considerable controversy within the industry.

Notwithstanding some notable and apparently successful campaigns – such as Pink Lady – doubts remain about the viability of reaching an audience that represents 5.5 per cent of the British population and is highly fragmented.

Others question the social consequences.

WM&P's founders – former Collets Dickenson & Pearce executive Werbayne McIntyre and Pauline Robinson, who worked in PR promotion in the UK record industry – insist that a black agency can perform an important role. Besides Gaymer, its accounts have included HP Bulmer, Southwark Council, food company Vee Tee Rice the Metropolitan Police (for whom it conducted a recruitment campaign).

"We have the specialist knowledge of how to communicate with the different ethnic minorities in Britain, not necessarily because we are black but because we have an empathy for the things we are dealing with," says McIntyre.

For Pink Lady WM&P decided on a two-pronged approach when it won the account in 1991. The "shove-the-line" campaign was aimed at the wider market and was centred on posters, the latest of which hit the streets in May in multi-racial boroughs of London showing "cool, fun-loving party people". It was backed up by advertising on radio stations.

The "below-the-line" campaign was targeted at the core audience of black people through promotions and sponsorship at night clubs, carnivals and black beauty exhibitions.

Having halted the decline in the first year of the campaign, UK sales this year are up 5 per cent on a year ago, and up 8 per cent in London. Holloway is even thinking about using the same approach to promote some of the company's other brands.

Another agency – Media Reach, formed in 1986 – targets the UK's 1.4m Asians who speak Urdu, Bengali, Gujarati, Punjabi and Hindi. Its biggest client to date has been the Central Office of Information (COI) for which it ran 14 radio and newspaper campaigns in the various Asian languages last year.

"Our advantage is that we can communicate with consumers in a language and culture they understand," says Javed Hussain, accounts and media director at Media Reach. "After all, many products and themes are not common to us."

Despite its use of Media Reach, recent COI research suggests that the case for always using a different kind of agency remains unproven. The research showed that English-speaking ethnic minorities are as likely to read a general newspaper as one specifically targeted at them.

"What really matters to us is getting the message over in the most cost-effective way," adds the COI.

That is just one of the problems. As John Tylee, associate editor of Campaign, the industry magazine, points out: "There is only a limited amount of work for a black agency in the UK. The market is heavily fragmented and thus not easy to reach. It is perhaps mainly useful only for those products that gear themselves to a specific market such as cosmetic products." He thinks an agency specifically geared to the ethnic minorities will find it hard to make money in the UK.

John Hegarty, creative director and chairman of Bartle Bogle Hegarty, one of the leading UK advertising agencies, is more hostile. "There is a case for an agency that talks to, say, women or certain age groups, but an agency identified by race is a dangerous concept. It is a divisive force in our society and such examples as exist in the US show the failure of that society. I just hope it does not happen here."

That may be wishful thinking. Vince Cullers of Chicago, the US's oldest black advertising agency, started in 1956, says it is looking at the UK as a base for its agency, not only to service the Caribbean and Africa, but also the rest of the European Community.

JK

Pink Lady aims for a black audience

Review expects real growth

GLOBAL advertising expenditure is not experiencing the kind of upturn that has been predicted by some pundits at the start of 1993, but in the UK at least there are indications that the worst of the recession may be over.

The media buying and planning company Zenith – part of the Saatchi and Saatchi group – forecasts international real growth of 0.5 per cent this year, compared with real growth of 0.2 per cent for 1992.

In its latest advertising expenditure review of 38 international markets,* Zenith offers a patchy outlook for advertising spend in Europe's seven biggest markets, which account for 93 per cent of the European Community's consumers.

In real terms, spending on all forms of advertising in 1993 is forecast to grow by 0.5 per cent in Belgium; to shrink by 5.8 per cent in France; to increase by 1.7 per cent in Germany; to rise by 1.1 per cent in Italy; to drop by 1.1 per cent in the Netherlands; and to decline by 2 per cent in Spain.

There are predictions that the market will increase by 1.9 per cent in the UK.

Nor is the North American market predicted to come surging out of the recession, with real increases of less than 1 per cent a year forecast for the current and also the next two years. For significant improvements, Asia and the Pacific areas are still in advance of other regions.

The report forecasts real growth of 1.5 per cent in 1993, 3.6 per cent in 1994 and 4.4 per cent in 1995, which is more than double the international average forecast for each year.

Advertising Expenditure Forecasts. Zenith Media Worldwide, Bridge House, 63-65 North Wharf Road, London W2 1LA. Price £175.

Gary Mead

Support package agreed for Russian energy sector

By John Lloyd and Dmitri Volkov in Moscow

RUSSIA'S HARD-pressed energy enterprises appear to have won massive government credit to assist them in meeting the demands of the coming winter. At a meeting with energy industry ministers on Tuesday evening they also seem effectively to have secured the halting of the privatisation programme in the oil, gas and coal sectors and further curbs on foreign investment in their industries.

Mr Alvin Yeriomin, chairman of the parliamentary committee on industry who attended the meeting, said yesterday that the participants agreed an expensive package of support for energy – following weeks during which heads of the enterprises had all complained loudly of being starved of credits and investment, and warned of collapse by the end of the year. The meeting was attended by Mr Oleg Soskovets, first deputy prime minister for industry and energy and Mr Yuri Shafrannik, the energy minister.

Among the issues agreed, according to Mr Yeriomin, were:

● The government would settle outstanding debts between the enterprises, estimated at about six trillion (million, million) roubles (£3.8bn);

● Special government subsidies would be provided for coal and geological research within the existing budget, amounting to Rbs2 trillion;

● Prices would be kept down by agreement between supplier and producer or, failing this, by "administrative means" – i.e., by government decree;

● Low interest credits amounting to Rbs1.8 trillion should be available to the energy sector by September;

● The privatisation of the oil companies should be "stabilised" – by calling a halt to the break up of corporations and retaining a controlling parcel of shares in the hands of the government;

● The law on foreign investment should be amended, taking into account the "specific features" of the fuel and energy complex – with possible additional conditions attached to future concessions to foreign companies – probably requiring use of Russian equipment.

The meeting, which took place under the aegis of the Russian parliament and with the attendance of Mr Ruslan Khasbulatov, the parliament's speaker, did not include a representative of the finance or privatisation ministries – and thus may still be controversial within the ranks of the government. However, if approved, it shows the continuing and growing power of the oil "barons" in dictating terms for an industry that provides some 70 per cent of hard currency earnings as well as the country's fuel needs.

An attempt by Mr Boris Yeltsin, the Russian President, to liberalise the price of coal by a decree last month has effectively been neutralised by an agreement to raise the coal price only by the level of inflation for the immediate future. An attempt by the government to establish a special fund to support mining communities thrown out of work because of pit closures by increasing value added tax by 3 per cent was rejected by parliament earlier this week.

Mr Soskovets said last week that the "price for coal should be set at a level which avoids a loss of competitiveness in the adjacent branches of industry" – especially the steel and aluminium industries, now earning precious hard currency by selling abroad at low prices.

Output goals leave China with feed gap

Changes in eating habits are posing problems for the future, writes Lynne O'Donnell

THE GROWING affluence of the urban Chinese is leading to changes in eating habits that could make the country one of the biggest markets for feed grain and a net importer by the end of the century.

Despite China's almost desperate desire to be self-sufficient, consumption of animal and dairy products is growing each year by up to 5 per cent while the value of crop output is rising each year by barely 1 per cent.

"It's not a long way off that China will be a net feed importer," says Mr Jeff Brown, representative in Beijing of the US Feed Grains Council. "We are looking at a nationwide steady 5 to 6 per cent increase in the consumption of meat, milk and eggs, per capita per annum."

Last year, according to official figures, China produced 34.5m tonnes of ready-to-use feed, known as compound feed, for livestock and poultry, an increase of 7.5 per cent on the year before. China is the world's biggest producer of meat and eggs but industry officials in Beijing say less than one third of all poultry and livestock receive compound feed.

The officials estimate that, with private production factored in, China's actual compound feed production was probably closer to 50m tonnes, but the figure remains a fraction of the 200m tonnes produced each year by the US. Analysts say China's production of feed grains – maize, sorghum and soyabeans – can in no way keep pace with long term demand.

"Soyabeans are the way of the future," says one Western feed grain industry executive. "Demand for [soyabean] feed has gone up by 50 per cent in four or five years, from 4m to 6m tonnes."

He puts annual soyabean demand at 12m tonnes. China grows an annual average of some 10m tonnes, exporting about 3.5m tonnes either as beans or meal.

China's GDP grew by 12 per cent in 1992. Official figures show that crop output value was up 1.2 per cent on 1991, and animal husbandry output was up by 6.1 per cent. The total value of agricultural production was reported to be US$150m.

With those figures on the board and with seemingly fantastic agricultural output goals to achieve by the end of the century, China's only option for maintaining production at a level that can keep pace with demand would appear to be the import of huge amounts of feed grains.

For instance, China wants to increase egg production by 10 per cent a year by 2000 and double per capita consumption by then from the present 100 eggs a year to 200. To achieve that, the chicken population would have to grow to the same level as the human population and China is expected by the turn of the century to be home to more than 1.3bn people.

"Can they hit that?" asks a Western industry observer of Beijing's egg production target. "No way. Because that alone would need an extra 10m tonnes of soyabean meal a year and [China] cannot afford it."

Pork and poultry production goals would add another 5m tonnes to soyabean meal demand, boosting China's total annual need by the end of the millennium to more than 20m tonnes.

"They are going to have to slow down," says another expert. "Prices are going to have to limit demand and that's a trend we are already noticing. Prices went up 80 per cent between February and August last year and though they're back down, they're still 50 per cent higher than they were a year ago."

Shortages after this year's spring harvest were exacerbated by farmers who held on to soyabeans for later planting in the hope of taking advantage of higher prices. However, with little agricultural sophistication and almost no forward planning, this could do little more than to follow up the shortage with a glut.

The shortage also squeezed the availability of supplies to meet China's export obligations. Inability to fulfil soyabean export contracts to Japan and South-east Asia caused such friction for Beijing that it quietly began looking around on the international market for up to 500,000 tonnes of soyabean meal.

The US has also been working hard to convince China that corn gluten meal is an economically-viable alternative to Peruvian fish meal as a livestock and poultry feed source. According to the US Feed Grains Council, China is the only Asian country not using imported corn gluten meal, which is $150 a tonne cheaper than Peruvian fish meal and was expected to be imported this year in at least trial quantities.

Total US exports of corn gluten meal in 1990 were 535,000 tonnes. "So even if China imports 50,000 to 100,000 tonnes, it would be a significant market to us," says the council's Mr Brown.

A US agriculture official predicts that China's demand for maize must also rise to meet growing feed needs.

"In the past few years, China has become self-sufficient in a lot of things they weren't self-sufficient in before – vegetable oil, cotton, corn [maize] and protein meals like cotton seed meal, rape seed meal, corn meal, all of them feed products," he says.

"But now I think they'll be after more corn pretty soon because they can't keep pace with demand. They don't even know what real demand is."

Another western expert in Beijing observes: "The Chinese don't like to hear that they'll be importing because they're such sticklers for self-sufficiency.

"But anyone who's honest, even at high levels, admits that the day will come that they'll be importing feed for the livestock industries. They'd like that to be 10 years off, we believe it's eight, and the more bullish projections give it five years".

Coffee growers' retention scheme gaining in credibility

By David Blackwell

THE LATIN American coffee retention scheme looks increasingly likely to start as planned at the beginning of October, according to London analysts.

"We have got to give a lot of credibility to the retention scheme," said Mr Lawrence Eagles, analyst with GNI, the London futures brokers, yesterday. "The retention scheme is gaining in credibility," agreed Mr Peter Kettle, of E.D. & F. Man, the London trade house.

The scheme aims to take 20 per cent of participating countries' production off the world market. Producers want to force prices well above the historically low levels that they have suffered since the collapse of the International Coffee Organisation's export quota system in 1989.

Producing countries believe that a cumulative $10bn has been wiped off the value of the coffee they have sold over the past four years. Last March saw the collapse in disarray of the last of a series of meetings at the International Coffee Organisation aimed at reviving the international agreement.

Colombia and the Central American producers of top quality arabica coffees immediately started to explore ways of forcing the market up. The breakthrough came at the beginning of this month at a meeting in San Salvador when Brazil, the biggest producer, proposed the retention of 20 per cent of exports.

When the New York arabica futures traders returned from their Independence Day holiday, prices rose by more than 5 cents a lb. London's second position robusta contract touched $1,000 a tonne.

However, widespread scepticism soon emerged about the ability of the producers to create viable rules for their retention scheme. That scepticism appears to be evaporating.

On Tuesday Colombia and Central American producers said after a meeting in Guatemala City that they had sufficient controls to implement a retention scheme in October. "Colombia and Central American countries are ready to put retention into practice. Each one of the countries has rules to retain coffee and to control retention efficiently," they told the Reuter news agency.

Eight African countries, including the Ivory Coast, Uganda and Kenya, are thought to be ready to join the scheme, according to a report from Knight-Ridder. African producers are due to meet on August 16 and 17 in Kampala.

If those eight countries back the Latin Americans, the proportion of world coffee production represented by the scheme will rise from just over 50 per cent to more than 64 per cent.

"The Latin American countries meet in Rio de Janeiro on July 29 and 30 to thrash out the workings of the scheme and officially to inaugurate a new Association of Coffee Producing Countries.

Last week coffee prices were once again on the upward path over fears of frost in Brazil. The fears have disappeared, but prices have not retreated far. Last night the London September price closed at $997 a tonne – compared with $926 just before the San Salvador meeting and $862 a tonne as the ICO talks collapsed at the end of March. New York's nearby arabica contract was 72.20 cents a lb in late trading last night, compared with a low this year of 51.70.

Mr Eagles believes the producers had no option but to try to transfer the balance of power from consumers to producers once the ICO talks had failed. "It will be difficult for them to stick together," he said, but the economic pain they had suffered might be sufficient if they were not too ambitious."

Mr Kettle pointed out that after the interminable ICO negotiations, the markets were now seeing some real action. "There has been a remarkable degree of agreement about everything so far," he added.

Nymex and Brazilian exchange to explore potential for co-operation

THE NEW York Mercantile Exchange and the Bolsa de Mercadorias & Futuros in Sao Paulo, Brazil, have agreed to sign a memorandum of understanding to explore areas of potential co-operation, the exchanges said yesterday, reports Reuter from New York.

The exchanges said they would discuss sharing information on technical, market, regulatory and business issues, and explore the potential for joint projects that would mutually benefit the exchanges and their memberships.

"It's very, very preliminary and we haven't even looked at the potential areas yet," a Nymex official said.

Mr Patrick Thompson, the exchange's president said: "As two of the world's leading commodity exchanges, sharing ideas and information will not only be advantageous to our institutions and memberships, but also to the world commodity industry".

Nymex is the world's largest oil market, offering trading in crude, heating oil, gasoline, natural gas and propane, as well as platinum futures and options and palladium futures.

The statement said B.M.&F, according to Futures Industry Association figures, was the world's sixth largest commodity and futures exchange, with daily volume of about $2bn.

It trades gold, interest rates, coffee, stock index futures, U.S. dollars, soyabeans, cotton and live cattle.

B.M.&F said the memorandum would be an important step towards "globalisation" of the two markets.

US mine clean-up 'could cost $70bn'

CLEANING UP more than 550,000 abandoned hardrock mines in 32 US states could cost between $32bn and $71.5bn, according to a report by the Mineral Policy Centre, a Washington-based mining reform lobby group, reports Reuter from Washington.

Hardrock mining is the extraction of metals such as gold, silver, copper, iron, uranium, zinc and nonfuel minerals such asbestos, gypsum, phosphate rock, sulphur by surface or underground mining methods. Abandoned hardrock mine sites include underground mine openings, open pits and waste rock piles.

The report, Burden of Gilt, calls for an establishment of a national hardrock abandoned mines reclamation programme that would include a nationwide inventory of sites on public and private lands.

It also urges a minimum of $400m a year to fund the programme from fees and royalties on the mining industry.

The report was immediately attacked by the Mineral Resources' Alliance, the trade association for the mining industry, and Senator Larry Craig, Republican, Idaho.

"They admit they don't know how many sites, therefore they don't know the cost of clean-up," said Senator Craig, author of the Mining Reform Act, which has already passed in the Senate. He suggested the cost would be much lower.

Tobacco producers get together to oppose US import curb

By Lisa Bransten in Washington

AMBASSADORS FROM 13 tobacco-exporting countries are fighting a provision slipped into the US Budget Bill that would require US cigarette manufacturers to use a minimum of 75 per cent of domestically-grown tobacco in their products.

Under the provision, inserted by Senator Wendell Ford, a Kentucky Democrat, cigarette producers would face substantial penalties for using more than 25 per cent imported tobacco.

"For years, US representatives in the Gatt Uruguay Round negotiations and elsewhere have been consistently fighting against this kind of provision in the name of free trade and for the benefit of both consumers and efficient producers," the ambassadors said in a letter to Representative Kika De La Garza, who heads the house committee on agriculture.

Signatories to the letter were the ambassadors from Brazil, Argentina, Costa Rica, Chile, the Dominican Republic, El Salvador, Guatemala, Honduras, Panama, Colombia, Malawi, Zimbabwe and India.

An aide to Senator Ford said the measure was necessary to protect domestic tobacco growers from the "growing influx of tobacco coming into the country".

WORLD COMMODITIES PRICES

MARKET REPORT

TIN hit fresh 20-year lows on the LME as half-hearted support near $5,000 a tonne for three-month metal was decisively broken. Dealers said sell stops were triggered below the previous low of $4,990. Talk that fresh shipments of Far Eastern metal are heading for Europe underlined negative fundamentals. ALUMINIUM'S advance was scuppered by selling and resistance near $1,230 a tonne for three-month metal and the market eased back to end at $1,221.50. Dealers said recent speculative buying and good support below $1,200 suggested that the market might have bottomed out. There is also likely to be caution over the possible closure of Alcan's Kitimat smelter, as 275,000 tonnes of capacity is threatened by possible strike action on Friday. Chicago WHEAT futures were mostly firm on some concern about losses of US wheat yields and quality because of the rain in the Central and Northern Plains, traders said. The harvest has been stalled in some areas and slowed in others and the ripening crop in the Northern Plains is receiving more rain than it needs. Warmer and drier weather is needed to help ripen the crop and aid harvesting.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Sep)		+ or -
Dubai	$14.59-4.63u	+0.25
Brent Blend (dated)	$16.80-6.85	+.285
Brent Blend (Sep)	$16.83-6.87	+0.25
W.T.I (1 pm est)	$17.87-7.93u	+0.22
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$196-198	
Gas Oil	$158-159	
Heavy Fuel Oil	$59-61	
Naphtha	$159-161	-1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$390.4	-1.6
Silver (per troy oz)♣	$503.5	-3.0
Platinum (per troy oz)	$404.25	-1.25
Palladium (per troy oz)	$138.50	-1.10
Copper (US Producer)	88.5c	
Lead (US Producer)	34.83c	
Tin (Kuala Lumpur market)	12.82m	-0.09
Tin (New York)	229.0c	-2.5
Zinc (US Prime Western)	82.0c	
Cattle (live weight)†	129.27p	-5.69*
Sheep (live weight)†♣	91.51p	-7.21*
Pigs (live weight)†	79.40p	-1.86*
London daily sugar (raw)	$257.8	-4.2
London daily sugar (white)	$267.5	-0.5
Tate and Lyle export price	£261.0	-4.5
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	Unq	
Wheat (US Dark Northern)	£147.0	
Rubber (Aug)▼	58.75p	-0.50
Rubber (Sep)▼	59.25p	-0.50
Rubber (KL RSS No 1 Jul)	206.0m	
Coconut oil (Philippines)§	$472.5v	
Palm Oil (Malaysian)§	$375.0t	-5.0
Copra (Philippines)§	292.5o	
Soyabeans (US)	£212.0y	-4.0
Cotton "A" Index	58.95c	+0.50
Wooltops (64s Super)	348p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. y-Jul/Aug. z-Aug. v-Aug/Sep u-Sep t-Oct/Dec x-Aug/Oct ▼London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices * change from a week ago, provisional prices.

SUGAR – LCE ($ per tonne)				
White	Close	Previous	High/Low	
Oct	262.20	262.80	264.00	261.50
Mar	266.20	267.80	267.60	265.80

White 333 (552) Paris- White (FFr per tonne): Oct 1530.08 Dec 1545.80

CRUDE OIL – IPE ($/barrel)	Latest	Previous	High/Low	
Sep	16.73	16.71	16.86	16.48
Oct	16.91	16.91	17.02	16.65
Nov	17.02	17.07	17.17	16.87
Dec	17.29	17.20	17.29	17.09
Jan	17.39	17.30	17.39	17.25
IPE Index	16.81	16.35		

Turnover 26000 (38797)

GAS OIL – IPE ($/tonne)	Close	Previous	High/Low	
Aug	167.50	158.00	159.00	166.25
Sep	159.00	158.75	160.00	157.50
Oct	161.75	161.50	162.50	159.75
Nov	163.50	163.50	164.50	162.00
Dec	166.00	166.00	166.75	164.50
Jan	167.50	167.50	168.25	166.25
Feb	166.00	157.75	167.50	166.75
Mar	167.50		167.75	165.75
Apr	166.75		165.75	

Turnover 9481 (11498) lots of 100 tonnes

WOOL

The Australian Wool Realisation Commission has for two weeks reported relatively heavy sales, reaching almost 25,000 bales. Buyers needed to cover sales to China, transacted in Australia and in types and for delivery which clearly meant using the stockpile as a source of supply. In the latest week Russia was mentioned as a buyer, at normal premium prices and with payment before release of the wool. Though the quantity was small at 3,500 bales this is being taken as a hopeful market pointer for when auctions are resumed.

COCOA – LCE (£/tonne)	Close	Previous	High/Low	
Jul	752	752	748	744
Sep	760	762	760	750
Dec	770	771	771	760
Mar	784	784	784	774
May	793	794	793	786
Jul	801	802	800	797
Sep	808	811	810	806
Dec	824	823	823	761
Mar	834		834	
May	846	845	845	844

Turnover: 2900 (3785) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jul 20 774.17 (775.52) 10 day average for Jul 21 769.81 (766.62)

COFFEE – LCE ($/tonne)	Close	Previous	High/Low	
Jul	972	978	978	965
Sep	997	1003	1004	989
Nov	1000	1009	1010	999
Jan	1000	1006	1010	999
May	1001	1012	1002	1000
Jul	1003		1000	1000

Turnover: 1978 (5969) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jul 20 Comp. daily 61.38 (60.96) 15 day average 58.99 (58.66)

POTATOES – LCE (£/tonne)	Close	Previous	High/Low	
Apr	91.3	91.9	92.0	91.5
May	99.0		99.0	

Turnover 39 (58) lots of 20 tonnes.

SOYAMEAL – LCE (£/tonne)	Close	Previous	High/Low
Aug	183.00		183.00

Turnover 0 (25) lots of 20 tonnes.

FREIGHT – LCE ($10/index point)	Close	Previous	High/Low	
Jul	1335	1338	1340	1333
Aug	1309	1310	1320	1300
Sep	1342	1358	1345	1342
Oct	1390	1386	1400	1390
Nov	1398	1010	1412	1398
Jan	1411		1430	1411
Apr	1450		1450	
BFI	1356	1361		

Turnover 136 (287)

GRAINS – LCE (£/tonne)				
Wheat	Close	Previous	High/Low	
Sep	106.80	106.10	106.80	
Nov	100.25	167.70	108.25	167.80
Jan	110.50	109.95	110.50	110.00
Mar	112.55	112.05	112.58	112.15
Barley	Close	Previous	High/Low	
Sep	103.00	102.65	103.00	
Nov	105.25	104.95	105.25	104.85
Jan	107.80	107.45	107.80	

Turnover: Wheat90 (546), Barley 124 (41).
Turnover lots of 100 Tonnes.

PIGS – LCE (Cash Settlement) p/kg	Close	Previous	High/Low	
Jul	111.0	109.0	111.0	110.0
Aug	102.5	102.8		
Oct	103.8		104.0	

Turnover:24 (0)lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 29,585 lots
Cash	1197-8	1181.5-2.5		1190.5-1.0		
3 months	1221-2	1205-6	1222/1214	1216.5-6.5	1217-8	231,322 lots
Copper, Grade A ($ per tonne)						Total daily turnover 32,195 lots
Cash	1896.5-7.5	1894-5	1904/1903.5	1903-3.5		
3 months	1904-5	1902-3	1913/1900	1907-8	1901-2	226,195 lots
Lead ($ per tonne)						Total daily turnover 3,875 lots
Cash	389.5-90.5	390.5-1.5		391.5-2.0		
3 months	403-3.5	404-4.5	408/403	405-5.5	403-5	23,452 lots
Nickel ($ per tonne)						Total daily turnover 5,937 lots
Cash	4880-5	4855-4860		4891-2		
3 months	4934-40	4912-5	4960/4915	4946-7	4915-20	46,014 lots
Tin ($ per tonne)						Total daily turnover 2,267 lots
Cash	4915-25	4940-3		4945-55		
3 months	4970-80	4994-5	5020/4940	5005-10	4945-50	10,428 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 15,820 lots
Cash	936.5-7.5	934.5-5.5		947-7.5		
3 months	953-4	951-2	968/945	963-3.5	945-6	71,875 lots

LME Closing £/$ rate: SPOT: 1.5154 3 months: 1.5052 6 months: 1.4974 9 months: 1.4908

Copper and lead prices are now expressed in dollars per tonne

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (troy oz)	$ price	£ equivalent
Close	390.20-390.60	
Opening	391.50-391.90	
Morning fix	391.60	258.736
Afternoon fix	392.40	258.583
Day's high	393.10-393.50	
Day's low	390.20-390.60	

Loco Ldn Mean Gold Lending Rates (Vs US$)			
1 month	2.58	6 months	2.60
2 months	2.59	12 months	2.60
3 months	2.60		

Silver fix	p/troy oz	US cts equiv
Spot	332.55	505.00
3 months	337.55	508.15
6 months	522.75	513.30
12 months	951.55	522.75

GOLD COINS

	$ price	£ equivalent
Krugerrand	391.50-394.50	259.00-261.00
Maple leaf	401.45-404.20	-
New Sovereign	93.00-96.00	61.00-63.00

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Aug	Oct	Aug	Oct
1175	33	62	6	19
1200	17	47	15	29
1225	7	34	30	41
Copper (Grade A)	Calls		Puts	
1900	39	82	34	77
1950	19	60	63	104
2000	6	43	102	137
Coffee	Sep	Nov	Sep	Nov
850	149	162	2	8
900	103	122	6	19
950	64	88	17	35
Cocoa	Sep	Dec	Sep	Dec
725	45	69	10	24
750	28	54	16	34
775	17	41	32	46
Brent Crude	Sep	Oct	Sep	Oct
1700	40	55	40	78
1750	5	42	110	-
1800	4	9	-	-

New York

GOLD 100 troy oz.; $/troy oz.	Close	Previous	High/Low	
Jul	389.2	391.3	0	0
Aug	389.5	392.2	393.5	389.2
Sep	390.5	393.2	391.7	391.7
Oct	391.7	394.4	395.5	391.5
Dec	393.8	396.5	397.8	393.5
Feb	395.7	398.3	399.4	396.0
Apr	397.6	400.2	400.5	398.0
Jun	399.5	402.0	401.0	400.0
Aug	401.4	403.8	0	0

PLATINUM 50 troy oz; $/troy oz.	Close	Previous	High/Low	
Jul	403.0	407.7	402.5	402.5
Oct	403.8	407.7	409.4	400.0
Jan	404.2	408.7	410.5	403.0
Apr	405.0	409.5	0	0

SILVER 5,000 troy oz; cents/troy oz.	Close	Previous	High/Low	
Jul	494.5	504.0	506.5	496.0
Aug	496.4	504.9	0	0
Sep	496.5	506.2	506.5	496.0
Dec	501.6	511.4	514.0	501.0
Jan	502.2	512.0	0	0
Mar	506.7	516.6	518.5	506.0
May	510.6	520.4	513.0	512.0
Jul	514.1	523.9	520.0	520.0
Sep	517.9	527.7	524.5	524.5
Dec	523.5	533.4	535.5	523.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs	Close	Previous	High/Low	
Jul	83.70	84.50	84.85	83.70
Aug	83.85	84.50	84.60	83.80
Sep	84.20	84.90	85.15	84.10
Oct	84.30	85.00	85.00	84.60
Nov	84.45	85.15	0	0
Dec	84.55	85.25	85.40	84.40
Jan	84.75	85.40	0	0
Feb	84.95	85.55	0	0
Mar	85.15	85.75	85.00	85.45
Apr	85.30	85.90	0	0

CRUDE OIL (Light) 42,000 US galls $/barrel	Latest	Previous	High/Low	
Sep	17.97	17.84	18.03	17.83
Oct	18.22	18.09	18.32	17.96
Nov	18.40	18.28	18.50	18.25
Dec	18.55	18.46	18.65	18.40
Jan	18.72	18.61	18.76	18.60
Feb	18.77	18.73	18.84	18.72
Mar	18.87	18.82	18.94	18.81
Apr	18.96	18.90	19.00	18.86
May	19.02	18.98	19.08	18.98
Jun	19.08	19.06	19.11	19.00

HEATING OIL 42,000 US galls, cents/US galls	Latest	Previous	High/Low	
Aug	50.35	49.74	50.50	49.30
Sep	51.18	50.75	51.30	50.30
Oct	52.25	51.60	52.35	51.60
Nov	53.50	53.05	53.50	53.00
Dec	54.60	54.18	54.70	54.00
Jan	55.35	55.03	55.35	54.90
Feb	55.85	55.33	55.85	55.40
Mar	55.05	54.58	55.05	54.60
Apr	53.60	53.63	0	0
May	53.25	52.75	53.25	53.25

COCOA 10 tonnes;$/tonnes	Close	Previous	High/Low	
Sep	981	978	996	969
Dec	1014	1010	1030	1000
Mar	1046	1068	1055	1030
May	1066	1066	0	0
Jul	1088	1078	1084	1072
Sep	1100	1098	1110	1104
Dec	1128	1115	1120	1100
Mar	1147	1139	0	0
May	1100	1157	0	0

COFFEE "C" 37,500lbs; cents/lbs	Close	Previous	High/Low	
Sep	71.70	72.30	73.05	71.55
Dec	74.15	74.75	75.50	74.00
Mar	76.20	77.00	77.50	76.10
May	77.60	78.30	0	0
Jul	79.00	79.60	0	0
Sep	80.45	80.90	0	0
Dec	84.50	84.65	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	9.67	9.79	9.81	9.64
Mar	9.90	10.00	10.07	9.88
May	9.96	10.08	10.12	9.96
Jul	9.98	10.05	10.14	9.98
Oct	9.95	10.08	10.08	9.93

COTTON 50,000 lbs; cents/lbs	Close	Previous	High/Low	
Oct	61.50	60.85	62.00	60.85
Dec	62.88	62.34	63.10	62.15
Mar	63.95	63.30	64.00	63.15
May	64.69	64.14	64.85	63.86
Jul	64.97	64.70	65.00	64.30
Oct	62.60	62.50	0	0
Dec	62.82	62.70	62.90	62.75

ORANGE JUICE 15,000 lbs; cents/lbs	Close	Previous	High/Low	
Sep	119.05	118.20	119.30	118.25
Nov	122.00	119.40	122.60	119.80
Jan	123.40	121.60	124.25	122.50
Mar	125.40	123.50	126.10	128.50
May	126.45	125.50	126.50	126.50
Jul	126.45	125.50	0	0
Sep	123.45	122.50	0	0
Nov	123.45	122.60	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)			
Jul.21	Jul.20	mnth ago	yr ago
1701.9	1706.8	1671.3	1556.8

DOW JONES (Base: Dec. 31 1974 = 100)				
	Jul.20	Jul.19	mnth ago	yr ago
Spot	123.04	123.04	121.04	118.20
Futures	128.15	127.80	120.85	119.03

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel	Close	Previous	High/Low	
Jul	724/2	727/2	732/0	717/0
Aug	719/2	728/2	733/4	716/0
Sep	719/6	729/4	735/0	717/0
Nov	721/0	729/6	737/0	718/0
Jan	722/0	732/0	738/0	720/0
Mar	724/0	733/2	738/0	722/0
May	723/4	732/4	736/0	722/0
Jul	721/6	732/0	737/0	721/0

SOYABEAN OIL 60,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	24.59	24.60	24.60	24.28
Aug	24.44	24.67	24.80	24.23
Sep	24.56	24.76	24.80	24.35
Oct	24.76	24.86	24.95	24.59
Dec	24.85	25.07	25.20	24.72
Jan	24.90	25.08	25.15	24.90
Mar	24.98	25.10	25.20	24.95
May	24.97	25.11	25.20	24.90

SOYABEAN MEAL 100 tons; $/ton	Close	Previous	High/Low	
Jul	241.3	241.3	245.0	239.5
Aug	231.8	234.8	237.8	230.8
Sep	229.9	232.5	236.0	228.5
Oct	228.3	231.9	235.0	228.0
Dec	228.8	232.2	235.5	228.5
Jan	228.0	231.2	231.5	227.0
Mar	226.0	230.0	230.5	225.5
May	225.0	228.3	228.0	224.5

MAIZE 5,000 bu min; cents/56lb bushel	Close	Previous	High/Low	
Jul	235/4	238/4	242/0	235/0
Sep	240/4	241/6	243/4	238/6
Dec	249/4	250/4	252/4	248/0
Mar	257/0	257/4	260/0	255/0
May	261/0	261/4	263/0	259/4
Jul	261/6	261/4	263/2	260/4
Sep	249/6	250/0	250/4	249/0
Dec	243/2	245/0	245/2	242/4

WHEAT 5,000 bu min; cents/60lb-bushel	Close	Previous	High/Low	
Jul	303/0	302/0	309/0	302/0
Sep	310/6	307/6	313/4	306/4
Dec	320/4	317/6	323/0	316/0
Mar	324/6	322/6	328/0	320/0
May	321/0	319/0	324/4	317/0
Jul	309/4	309/4	312/0	306/0

LIVE CATTLE 40,000 lbs; cents/lbs	Close	Previous	High/Low	
Aug	72.525	73.425	73.425	72.475
Oct	72.600	73.450	73.475	72.550
Dec	74.350	75.000	75.050	74.300
Feb	74.700	75.100	75.125	74.650
Apr	75.800	76.075	76.075	75.800
Jun	72.750	73.050	73.050	72.750
Aug	71.775	72.000	72.000	71.775

LIVE HOGS 40,000 lb; cents/lbs	Close	Previous	High/Low	
Jul	47.150	47.075	47.350	46.950
Aug	46.875	46.600	47.200	46.550
Oct	43.575	43.325	43.775	43.300
Dec	45.550	45.275	45.600	45.000
Feb	45.850	45.950	46.250	45.500
Apr	44.900	44.925	45.050	44.700
Jun	49.900	50.125	50.400	49.900
Jul	48.925	49.450	49.250	48.900

PORK BELLIES 40,000 lbs; cents/lb	Close	Previous	High/Low	
Jul	41.900	40.425	42.050	40.550
Aug	41.125	39.825	41.250	39.900
Feb	49.750	48.400	50.050	48.700
Mar	48.700	47.850	49.500	48.550
May	50.500	49.100	50.500	50.400
Jul	49.000	48.800	49.500	0
Aug	50.250	48.950	50.250	0

LONDON STOCK EXCHANGE

Economic data little help for shares

By Terry Byland,
UK Stock Market Editor

GOOD NEWS on the domestic economy was barely enough to sustain the London stock market yesterday in the face of disturbing money supply figures from Germany. UK stocks gave ground again ahead of today's important Maastricht debate in the British parliament, and next week's important by-election test for Mr Major's government.

However, the market bounced successfully from the Footsie 2,800 area. Equities closed well above the worst of the day as investors took an increasingly favourable view of the strong rise in domestic retail sales in June and a significant improvement in the non-EC trade deficit.

The fresh round of good news on the UK economy, taken in tandem with a sharp rise in annualised M3 money supply in Germany, had, once again, the perverse effect of damping down hopes for an early cut in UK base rates. This counter-balanced yesterday's firmness in sterling which was unhelpful for British exporting firms.

After opening a shade firmer, equities drifted easier, brushing off the news of a cut in repurchase rates in Germany, a prospect identified a week ago. London stocks gave ground as sterling rose sharply after the disclosure that UK retail sales had risen by 1.3 per cent in June, much stronger than expected, and without restraining an excellent non-EC exports performance.

The day's low point saw the FT-SE Index down by 22.1 at 2,801.8 but the threat to the Footsie 2,800 mark brought buyers in. By the close, the market had rallied to a final reading on the FT-SE Index of 2,814.1, a net loss on the day of 9.8 points and a total loss of nearly 29 points over the past two sessions.

Although market turnover remained relatively high, with Seaq volume of 554m shares comparing with 604.9m on Tuesday, strategists doubted whether the institutions had participated in the late rally. This week has, according to analysts at several major firms, brought signs of increased selling by the investment funds.

In the previous session, retail business was worth £1.46bn, a further advance on last week when daily customer business jumped to £1.33bn from £1.1bn a week earlier, according to statistics from NatWest Securities.

This rise in investment activity in equities by genuine investment sources at a time when shares have been falling has raised fresh concern over the near-term outlook in a UK equity market which now appears to have reacted too quickly earlier this year to expectations of economic recovery.

Yesterday's economic data indicated very favourable news on the domestic economy, commented Mr Ian Harnett at Strauss Turnbull. However, he added that in the continued uncertainty over the recovery in corporate profits, sector analysts are likely to hold enthusiasm in check.

Thus, although store and retail issues were firm yesterday, queries were raised in the stock market over the possible trend of retail profit margins in this highly competitive sector.

The stock market was also held back by continued pressure on the drug stocks from across the Atlantic and by weakness in the banks, where fears that the sector is overvalued prompted a wave of profit-taking.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down. † Indicates an FT-SE 100 Index constituent.

Account Dealing Dates

*First Dealings:	Jul 5	Jul 19	Aug 2
Option Declarations:	Jul 15	Jul 29	Aug 12
Last Dealings:	Jul 16	Jul 30	Aug 13
Account Day:	Jul 26	Aug 9	Aug 23

*New time dealings may take place from 8.30am two business days earlier.

Food retailers hard hit

FOOD retailers again suffered the fallout from widespread profits downgrades and shares fell back across the sector. Argyll Group bore the brunt of analysts' cutbacks as sector specialists reacted negatively to the agm held on the previous day, and to the cautious note struck by Sir Alistair Grant, its chairman.

Argyll was hit by downgrades from Hoare Govett, NatWest Securities and Smith New Court, among others, with profits forecasts receding by around 5 per cent to a range of £445m to £465m. Tesco was another retailer to suffer cuts to its forecasts, Hoare and Smith both downgrading the stock. The latter broker also reduced figures for J. Sainsbury and Asda.

Underlining its continued negative stance on the sector, one broker said yesterday that it expected both Argyll and Tesco shares to underperform the market by around 30 per cent over the next 12 months, and by some 16 per cent against the sector.

Low growth in food prices is partly blamed by both brokers and company executives for the faltering outlook. Sir Alistair said on Tuesday that food price inflation was running below 1.5 per cent, significantly beneath expectations in the stock market. Worries over the impact of discounting, lower margins and market saturation have also underpinned the raft of downgrades that have dogged the sector for the past five months.

Yesterday, as shares retreated, an afternoon rally suggested that a short-term floor may have been found, although retailing analysts expect that to be breached in time. Asda slipped 2 to 60¾p, Argyll 7 to 295p in turnover of 7.2m shares, Kwik Save 12 to 658p and Tesco 2 to 202p. Sainsbury recovered to close unchanged at 450p.

GEC in demand

In an otherwise poor session, shares in defence and electronics group GEC bucked the market trend after a large institution moved to buy the stock.

Fund management group Robert Fleming was believed to have issued a buy order for GEC. The institution was reported to have placed its order with BZW, which was known to have a large buying order early in the session.

The stock responded by rising 6 to 329p, in hefty volume of 7.5m shares.

Broker Williams de Broe yesterday reiterated its buy recommendation on the stock, suggesting it should be on a premium rating given its exposure to the cyclical cycle.

Dunhill hit

A profits warning from Dunhill, the luxury goods and tobacco group, sent the shares reeling and also impacted on Rothmans. Dunhill chairman Lord Douro told the agm that a "convincing recovery" would be now needed in markets such as Japan to avoid a significant reduction in the company's operating profits this year. The recovery under way in the UK and US was described as being "only hesitant".

Dunhill shares closed 17 down at 340p. Rothmans fell 10 to 670p. On a brighter note, shareholders learnt that plans to restructure Dunhill, Rothmans and Richemont to create the Vendome luxury goods group are on track, with meetings to vote on the proposals set for September.

Under the reconstruction, the three group will split their tobacco and luxury goods businesses into two new quoted companies, Vendome and Rothmans.

International trading group Hanson shed a penny to 234p after the company said the strike at its Peabody mining subsidiary would cost £29m for the three months to the end of June.

Shares in Lonrho firmed 1½ to 130½ after the group said it had agreed the sale of its 50 per cent stake in German metals trading company Krupp Lonrbo for DM282.5m. The company said the proceeds were to be used to reduce debt.

Brokers' recommendations helped BAT Industries shake off Tuesday's gloom that led to a retreat after Philip Morris, its US rival, confirmed that provisional price cuts made earlier this year were to be extended to other premium brands.

The shares bounced 7 to 438p in trade of 4.4m, with both NatWest Securities and Strauss Turnbull said to be positive on the stock.

Among oil issues, volume in Lasmo jumped to 10m after a series of agency crosses during the afternoon. The day's turnover included two large crosses at 135½p, and a smaller block of around 500,000 that was dealt at 138p. The shares continued to recover and closed 3½ up at 137½p.

In the rest of the oil sector, fears of an oil glut continued to dampen enthusiasm for Sbell which shed another 5 to 603p. However bargain hunters lifted BP into positive territory and it closed a penny firmer at 288p, after trade of 5.8m.

The recommendation from Lehman brothers made earlier this week continued to boost Reuters ahead of next week's figures. The shares moved another 16 ahead to 1408p.

A positive rating upgrade by a UK stockbroker helped Cable and Wireless advance sharply in early trade before the shares faded away later to close unchanged at 759p. BZW added £20m to its current year forecast to £1035m, attributed to strong trading in its key markets.

Slight disappointment of the lack of trading news at Vodafone's agm left the shares drifting 7 off at 436p. A Smith New Court downgrade was behind the fall in BICC, off 8 at 398p.

The slide in container rental group Tiphook as dealers continued to fret about the company's financial position. Tiphook reported losses last week after changing the way it reported its figures.

Shares in National Express put on 8 to 223p, after it confirmed its planned acquisition of East Midlands Airport. The company however warned that its coach operating business was trading below expectations following a poor response to fare changes and aggressive pricing by British rail.

Agm talk of an improving trend, albeit tempered by some concern over international economic prospects, left Pilkington a penny lighter at 131p.

Pre-results nerves bit into Reed International which lost 6 to close at 640p. The company is due to declare its interims in a fortnight.

Anglo-Dutch foods group Unilever advanced, helped by a BZW buy note, before fading to close 2 adrift at 947p.

Continued worries about the funding of its regional jets joint venture with Taiwan continued to overhang Britisb Aerospace and the shares gave up 12 to 388p. Volume was 1.8m.

Strong demand for VSEL ahead of today's annual meeting saw the shares climb 27 to 890p.

Worse than expected figures at a US rival led to selling of engineering group Siebe. The shares finished 7 off, having been lower, at 437p.

A change of recommendation from Smith New Court from buy to hold in BICC left the shares 8 lighter at 398p, though it was profit taking that was said to be responsible for the decline in Powell Duffryn. The shares closed 10 lower at 541p.

Television stocks refused to bow to the market's malaise and turned in creditable performances. Anglia was star of the show with a rise of 13 to 325p. It also benefited from a buy recommendation from NatWest Securities – the only TV stock to do so in an anaylst's note which reported a aligbt increase in advertising revenue last month against expectations of a small decline.

Central moved up 10 to 1958p; Grampian "A" added 3 to 227p; Yorkshire-Tyne Tees made a gain of 3 to 198p and Scottish put on 2 to 516p. Carlton Communications was the only stock to slip, loing 5 to 730p.

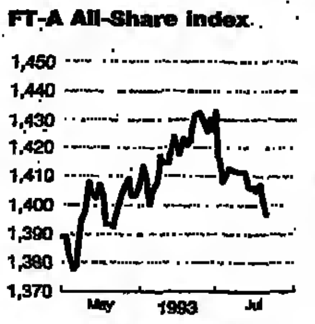
Ground lost in the UK newspaper tabloid price wars continues to be clawed back by United Newspapers, which added 2 to 523p on the back of the success of its recent rights issue.

The newspaper group, which publishes the Daily Express and Daily Star, announced that its rights issue was 95.7 per cent taken up.

MARKET REPORTERS:
Joel Kibazo,
Christopher Price,
Christine Buckley.

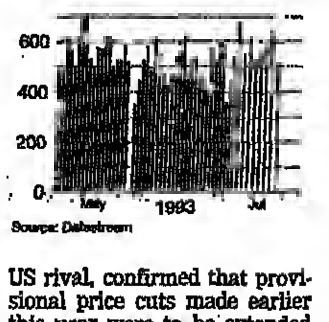
■ Other statistics, Page 15

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)
Excluding: intra-market business and overseas turnover



Source: Datastream

NEW HIGHS AND LOWS FOR 1993

FINANCIAL TIMES EQUITY INDICES

	July 21	July 20	July 19	July 16	July 15	Year ago	*High	*Low
Ordinary share	2220.1	2221.3	2234.3	2218.6	2221.5	1803.0	2299.5	2124.7
Ord. div. yield	4.15	4.18	4.14	4.18	4.18	5.11	4.52	4.07
Earning yld % full	4.96	4.95	4.93	4.95	4.96	7.40	6.38	4.82
P/E ratio net	25.87	25.85	25.99	25.84	25.88	17.02	26.57	19.40
P/E ratio nil	23.90	23.88	24.09	23.95	23.98	15.84	24.60	18.14
Gold Mines	218.1	221.4	224.1	224.5	221.8	93.3	239.3	60.6

*for 1993. Ordinary share index since compilation: high 2299.5 10/3/93 - low 49.4 26/6/40
Gold Mines index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2222.3	2217.8	2211.5	2215.2	2216.6	2214.0	2208.8	2216.4	2217.5	2222.3	2208.1

Volume	July 21	July 20	July 19	July 16	July 16	Year ago
SEAQ Bargains	25,990	28,067	34,743	31,038	27,170	18,812
Equity Turnover(£m)†	-	1455.9	1506.7	1437.1	1439.5	715.9
Equity Bargains†	-	32,793	40,798	37,324	31,371	20,185
Shares traded (ml)†	-	515.3	848.0	591.6	555.6	339.9

† Excluding intra-market business and overseas turnover.

London report and latest Share Index
Tel. 0891 123001. Calls charged at 36p/minute cheap rate. 48p at all other times.

FT-SE Actuaries Share Indices — THE UK SERIES

FT-SE 100 2814.1 -9.8 | FT-SE MID 250 3195.4 -9.6 | FT-A ALL-SHARE 1396.75 -4.52

Hourly movements

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

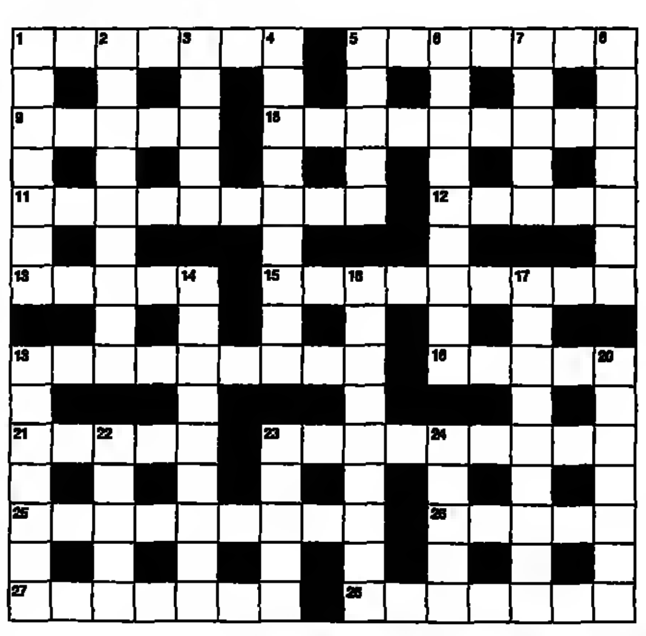
BRITISH FUNDS

OTHER FIXED INTEREST

Continued on next page

CROSSWORD

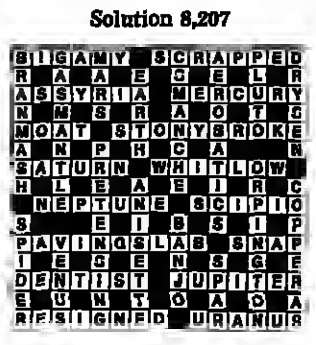
No.8,208 Set by HIGHLANDER



ACROSS
1, 5 Clamouring for ropes in region of stormy west winds (7,7)
8 Fruit available from same London wholesalers (5)
10 Blot out the time I acted abominably (9)
11 Polar worker very cold (9)
12 Creature longing to be surrounded by sound of laughter (5)
13 Garment cut in new-fangled style (5)
15 Cut off in the morning having set wrong date (9)
18 Description of delivery can include key southern district (9)
19 Greedily eat Cheddar for example (5)
21 He's up to something extra (5)
23 Crew's not disturbed about ship's first observation point (5-4)
25 Performing bears to appear first so keeps going (7,2)
26 Current origin of oak used by the fleet? Yes (5)
27 Stirs up old plots by word of mouth (7)
28 Royal staff caught in Peter's revolution (7)

DOWN
1 Defensive feature – batter some of it (7)
2 Suddenly, like Wordsworth sighting daffodils (3,2,4)
3 Transgressor beheaded as part of target (5)
4 Big dog – like Hans Christian Andersen? (5,4)
5 Organised football club without foreigners' money (5)
8 Assortment of richest silver in prewar European legislature (9)
7 Picture that's the cover for periodical (5)
a Waiter waters wrong drink initially (7)
14 Preside over sppropriate transport for skiers (5,4)
18 Identifies parking place in dots (9)
17 Appeared to be switched off (6,3)
18 Small boat firm clear off (7)
20 Understanding (10 x 3) – (first + ninth) (7)
22 The same mostly opulent architectural style (5)
23 Drops groups of actors (5)
24 What Dean (and colleague) does with fish (5)

Solution 8,207



JOTTER PAD

EQUITY FUTURES AND OPTIONS TRADING

CAUTION again ruled the day in stock index futures as dealers refused to be moved by good retail sales figures, Christine Buckley writes.

Institutional players were notable by their absence and there were few buyers of the September FT-SE 100 contract, although sellers pushed up the day'a volume to quite a strong showing at 11,526 contracts.

The September contract started trading at 2,832, some 8 points up from its previous finish, and its high of the session – only one point ahead at 2,833 – was quickly reached. Thereafter it was downhill all the way.

The retail sales figures failed to pep up sentiment as bearish market stories on the retail sector and fears over brand names took their toll. Weak performances on the French and German markets added to the gloom, as did fading hopes of German interest rate cuts.

As tha opening of Wall Street approacbed, tbe contract sunk to the day's low of 2,802. An afternoon rally pusbed it np to a close of 2,818, about a point ahead of its fair value premium to cash.

A low profile was similarly the order of the day in traded options, which mustered a volume of 24,010 contracts.

The highest of the stock options was Lasmo, whicb traded 2,245 lots, altboogb 2,000 of these were down to one broker buying 1,000 of the August puts and selling 1,000 November puts.

LONDON SHARE SERVICE

AMERICANS

	Notes	Price £	+ or -	1993 high	1993 low	Mkt Cap£m	Yld Gr's
Abbott Labs		17⅛xd	+⅛	20⅞	15⅞	14,280	2.5
Allegheny & W	♥	623p	—	692p	395p	324.5	3.0
Amdahl		334p	—	591p	302½p	375.1	0.9
Amer Cyanamid		35⅞	+⅛	38⅝	31⅛	3,260	2.9
Amer Express		21⅞xd	-⅛	21⅝	14⅞	10,196	3.9
Amer T & T		42⅞xd	+⅛	48	33⅛	58,936	1.9
AmeriTech		51½	-⅜	54½	46	22,540	4.5
BankAmerica		29⅞xd	-½	36⅞	27⅛	10,282	3.8
Bankers NY		50⅛xd	-⅞	52⅛	42⅝	4,073	3.8
Bell Atlantic		37⅛	-⅛	39½	32⅛	16,300	4.8
BellSouth		37⅛	-⅜	39⅝	32⅞	18,339	4.7
Bethlehem Steel	♥	12⅛xd	—	13⅛	10	1,125	-
Bowater		1350pxd	—	1682p	1267p	489.2	1.9
CPC		27⅛xd	-⅛	34⅝	26	4,160	2.8
California Engy		1234p	—	1479p	1066p	224.7	-
Chase Manhattan		21⅝xd	-⅞	24½	17⅞	3,375	3.5
Chrysler		79⅞xd	+1⅛	32⅛	21⅛	8,849	1.2
Citicorp		20⅞xd	-⅛	21⅛	13⅞	7,658	-
Colgate-Palm		35⅛xd	+⅛	46⅝	35⅛	5,628	2.9
Cont'l Bank		1637p	-4	1677p	1278p	1,553	2.9
Dana		35⅝xd	-⅞	36⅞	29⅞	1,681	2.6
Data General		584p	-21	951p	584p	161.1	-
Decora Inds	♥	131p	—	146p	109p	-	-
Dun & Brad		39⅛	-⅛	42⅛	37⅛	6,973	4.0
Eaton	b	28⅝	-½	21⅛	25⅛	1,984	2.4
Echlin		20⅛xd	+⅛	20½	15⅛	1,174	2.2
FPL		25⅝xd	—	27⅞	23⅛	4,656	6.1
Ford Motor		35⅞xd	+1	39½	28⅛	17,267	1.8
[illegible]							

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING-AEROSPACE

[illegible]

ENGINEERING-GENERAL

[illegible]

ENGINEERING-GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

Notes	Price	+ or −	1993 high	low	Yld Gr's	NAV	Dis or Pm(−)
Scottish Inv ♣†□	189	−3½	205	183	2.8	237.2	16.5
Warrants □	54	−1	55	88	−	−	−
Scot Mortgage ♣□	192½	+½	201	176	8.8	221.4	13.3
Scot National Inc ♣□	81	—	95½	88	10.8	−	−
Cap □	23	—	26	18	−	84.4	64.3
Stepped Pf	154¼	—	158¼	150¾	4.0	−	−
Zero Div Pf	215½	—	215½	207	−	−	−
Warrants	2½	—	8	2½	−	−	−
Scot Value †□	87	—	87	71	2.8	84.0	−3.6
Sec Alliance ♣†	1465	−18	1585	1390	3.1	1584.3	7.8
Second Consld □	164	—	165	88	−	211.8	22.6
Second Market ♣	342	—	347	258	0.7	358.1	4.1
Sec Tst Scot ♣□	80½	−½	84½	74½	5.0	82.2	2.1
Select Assets □	137	—	138	109½	1.1	171.3	20.0
Eq Ind Ser1	136	—	137	128	2.8	−	−
Eq Ind Ser3	136	—	137	128	5.0	−	−
SHIRESCOT	132	−2	188	104	0.8	127.9	−4.8
Shires	261	—	263	231	0.8	251.4	−3.6
11pc Cv Ln '03/04	2130½	—	2131½	2115½	8.4	−	−
Siam Select	120	—	188	97	1.8	147.1	13.3
Warrants	27	—	88	10	−	−	−
Smaller Cos □	126	—	128	76	2.8	118.2	−4.9
Warrants	42	—	42	14	−	−	−
Sphere Inc □	24½xd	—	25½	14	16.8	35.8	21.8
Zero Div Pf	89¾	—	89¼	80¾	−	−	−
Sumit	75	—	76	35	3.3	94.1	20.3
TR City of Lon □	138½	—	140¼	128	4.2	130.1	−6.4
TR Euro Growth ♣□	118	—	111	76	1.5	114.3	4.0
Ptg Sub	58	—	60	27	8.8	−	−
TR Far East Inc ♣†□	139½	−½	145	112	4.0	141.8	1.5
Warrants	41½	—	43	23	−	−	−
TR High Inc	119	—	121	[illegible]	[illegible]	[illegible]	[illegible]

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIALS

PACKAGING, PAPER & PRINTING

OIL & GAS

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

Notes	Price	+ or −	1993 high	low	Mkt Cap£m	Yld Gr's
Greenwich Res ♣□	19	—	22¼	5	14.8	−
Hemlo Gold C$	£7¼	−¼	£7¾	£3½	701.5	1.3
Iwernia West IE ‡□	41	—	57	31	20.8	−
Kells Minin IE †‡	13	—	13	6	0.31	−
Kenmare ♣□	9	—	13½	6	9.01	−
Melinga Res	11	—	25½	11	1.21	−
Navan Res IE ♣	88	—	188	25	15.0	−
5pc Ln Notes	80½	—	94¾	25	15.8	−
Oryx Gold	76½	—	76½	47	−	−
‡‡Ovoca Res IE	7½	+2	7½	3½	0.52	−
RTZ ♣□	676	−6	709	607	6,972	3.9

For Vizcaya see Premier Land under PROPERTIES

GUIDE TO LONDON SHARE SERVICE

Company classifications are based on those used for the FT-Actuaries Indices and FT-Actuaries World Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid- prices.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Estimated price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation, excluding exceptional profits/losses and unrelieved ACT where applicable. Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 25 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm −) to the current pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

□ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ).
● "Top Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ Free annual/interim report available, see details below.
♧ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
†† Not officially UK listed; dealings permitted under Rule 535(2)
‡ Price at time of suspension
¶ Indicated dividend yield after pending scrip and/or rights issue.
♦ Merger bid or reorganisation in progress
§ Forecast dividend yield; p/e based on earnings updated by latest interim statement.
♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
c Cents.
f Flat yield.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
a Rights issue pending
q Earnings based on preliminary figures.
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
v Not subject to ACT.
z Dividend yield includes a special payment
E Auction basis
F Yield based on prospectus or other official estimates for 1994-95.
G Assumed yield after pending scrip and/or rights issue.
H Yield based on prospectus or other official estimates for 1993.
K Yield based on prospectus or other official estimates for 1992-93
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1993-94.
N Figures based on IIMR 'Headline Earnings' draft proposals.
P Figures based on prospectus or other official estimates for 1994.
R Forecast annualised yield, p/e based on prospectus or other official estimates.
T Figures assumed.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1235 a year for each security shown, subject to the Editor's discretion

FT Free Annual Reports Service

You can obtain the current annual/interim report of any company annotated with ♣. Ring 081 643 7181 (open 24 hours including weekends) or fax 081 770 3822, quoting the code FT5855. [If calling from outside UK, dial +44 81 643 7181 or fax +44 81 770 3822] Reports will be sent the next working day, subject to availability. If faxing please remember to state the weekly changing FT code above and also your post code.

FT Cityline

Up-to-the-second share prices are available by telephone from the FT Cityline service. See Monday's share price pages for details.

An International service is available for callers outside the UK, annual subscription £250 stg.

Call 071-873 4378 (+44 71 873 4378, International) for more information on FT Cityline.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	6	153.4	154.9	166.0	-0.80	0.00
AIB Grofund Equity	5	201.8	204.8	216.7	-1.60	1.71
AIB Grofund Euro	5	166.2	166.9	175.7	-2.60	0.12
AIB Grofund Ext Ethical	5	100.6	102.8	108.0	-0.80	1.63
AIB Grofund Gilt	3	79.40	79.42	81.88	-0.04	4.07
AIB Grofund Japan	6	174.3	175.9	188.2	-0.70	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H
Equity & Law Hse, Corpn St, Coventry 0203 553231

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
General Inc	0	410.0	420.1	447.0	-0.7	2.02
General Acc	0	459.2	460.9	490.4	-2.8	2.02
UK Growth Acc	0	305.1	309.3	329.1	-1.6	2.80
UK Growth Inc	6	216.2	219.2	233.2	-1.1	2.80
Higher Inc Acc	6	567.7	575.5	612.9	-2.5	3.75
Higher Inc Inc	6	344.9	348.8	372.2	-1.6	3.75
Gilts/Fxd Int Acc	5½	179.0	179.0	188.0	-0.3	6.05
Gilts/Fxd Int Inc	5½	93.81	93.81	98.97	-0.15	6.05
Nth America	6	241.2	243.8	259.4	-3.0	0.00
Far East	6	295.6	295.6	314.5	-3.1	0.22
Europe	6	221.7	223.5	237.8	-4.1	1.02
Brit Excel	6	82.33	82.33	85.31	-0.35	2.35
Brit Fxd Int Acc	6	87.25	88.53	94.79	-0.44	4.88
Brit Fxd Int Inc	6	67.80	68.69	73.07	-0.34	4.88
Global Opps	6	71.40	71.46	76.03	-0.91	6.23
Balanced Acc	6	46.92	47.50	50.54	-0.28	2.77
Balanced Inc	6	46.92	47.50	50.54	-0.28	2.77

Abbey Unit Tst Mngrs (1000)H
80, Holdenhurst Rd, Bournemouth 0345 717373

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Gilts & Fixed Int	5	131.0	131.0	139.5	—	0.72
High Inc Equity	5	140.0	140.6xd	150.0	-1.2	4.95
Worldwide Bond	0	266.8	266.6	282.8	-1.0	3.71
American Growth	6	285.4	285.4	303.2	-1.7	.06
Asian Pacific	6	229.9	233.8	248.6	+1.4	.39
Assets & Earnings	6	220.7	220.7xd	235.0	-1.6	2.32
Capital Reserve Acc	0	128.6	128.6	128.6	+0.1	4.79
Commdty & Energy	6	89.11	89.11	95.30	-0.47	.58
1992 Enterprise	0	79.58	79.60	85.21	-0.79	1.95
Euro Capital Acc	6	109.8	109.8	117.4	-1.4	.80
Euro Capital Inc	6	103.2	103.2	110.3	-1.3	.80
General	6	107.9	201.6	214.3	-2.7	2.54
Japan	6	123.9	123.9	132.5	-0.5	-
Mastertrust	6	117.6	117.9	126.0	-0.2	1.17
UK Growth Acc	6	188.5	190.2	208.7	-0.1	2.18
UK Growth Dist	6	116.2	101.6	128.7	-0.1	2.21

MGM Unit Managers Ltd (1000)F
MGM House, Heene Rd, Worthing
Dealing: 0277 261010 Enq: 0903 204631

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Growth ♦	5	64.59	65.20	69.36	-0.86	0.87
High Income	5	266.9	268.9	286.0	-2.0	4.61
(Accum Units)	5	461.1	466.5	496.2	-3.5	4.61
Inc Bond	5	66.61	66.91	71.05	-0.04	8.68
Intl Equity Growth ♦	5	81.14	81.22	86.12	-0.50	0.86
North American Growth	5	90.26	90.64	96.42	-0.28	0.74
Special Sits Growth	5	18.11	19.43	20.66	-0.2	1.93
UK Growth	5	323.3	325.7	346.4	-3.3	2.72
(Accum Units)	6	407.3	410.4	436.5	-4.1	2.72

MW Investment Managers Ltd (0653)F
44 Court St, Haddington, E. Lothian 062-082 5887

MW Joint Investors	0	1172.8	1172.8	1205.2	—	3.7

Maldon Unit Trust Managers Ltd (1400)F
c/o Baillie Gifford 1 Rutland Ct EH3 8EY 031-222 4242

Maldon General	5	123.0	123.0	132.4	—	4.40

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♣) - 1101 to 1400 hours; (♦) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation, Centre Point, 103 New Oxford Street, London WC1A 1QH Tel: 071-379-0444.

FT MANAGED FUNDS SERVICE

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (071) 873 4378 for more details.

Singer & Friedlander UT Mgmt Ltd (1000)F
PO Box 224, Beckenham, BR3 4TF 081-663 3023

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
European Trust	6	51.70	51.60	55.21	-0.75	1.15
Far Eastern Tst	0	62.89	63.05	67.94	+1.25	0.17
Smaller Cos	6	156.2	160.0	170.3	---	1.65

Smith & Williamson Unit Tst Mgrs (1600)F
1 Riding House St, London W1A 3AS 071-637 5377

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
S & W American	6	266.2	266.7	282.7	-1.2	0.74
S & W Capital	5	118.2	118.3	126.0	-0.5	1.70
S & W Cash	6	101.46	101.46	101.46	+0.01	5.36
S & W European	6	113.0	114.0	119.4	-0.6	0.98
S & W Far Eastern	5	148.5	149.1	158.5	-1.3	0.00
S & W Growth	5	123.8	125.3	132.0	-0.3	1.58
S & W Income	5	116.8	117.0	123.8	+0.2	4.85
S & W Mngmnt	5	123.2	125.3	132.8	-0.3	1.58
S & W Smlr Secs	6	310.7	326.5	345.4	-0.7	0.44
S & W Thoroughbred	6	144.7	144.7	155.4	-0.7	1.58

Sovereign Unit Tst Mngrs Ltd (1000)F
12 Christchurch Rd, Bournemouth 0202 298422

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Cash	1	49.88	49.88	50.38	+0.01	5.3
Capital Primrose	5½	56.69	57.04	60.84	-0.18	7.8
Ethical	5½	52.11	53.06	56.44	-0.47	3.9
European Growth	5½	58.60	58.97	62.90	-0.50	2.9
Income	5½	52.49	52.95	56.47	-0.35	5.7
Intl Growth	5½	80.81	81.33	86.75	-0.52	2.9
Managed	5½	69.09	69.86	74.51	-0.54	3.6
UK Growth	5½	56.02	56.61	60.38	-0.62	4.0

Robert Fleming Asset Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Acc Exempt	£872.88	823.14	+0.46	1.58
Gen Exempt	£163.13	156.42	-0.66	3.30
Jap Exempt	£873.23	824.41	-5.28	1.04
Pacific Exempt	£152.24	156.07	-1.81	1.68
Contl Euro Exempt	£121.27	123.73	-1.12	2.35

Foreign & Colonial Unit Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Balanced Acc Jul 13	185.8	193.2	-0.4	3.38
Balanced Inc Jul 13	182.6	183.7	-0.4	3.39
Latin American Acc Jul 13	197.6	196.2	-0.04	1.56

Funds in Court*

	Bid Price	Offer Price	+ or -	Yield Gross
Capital May 27	551.78	555.94	---	3.72
Gross May 27	206.77	207.43	---	10.14
High Yield May 27	336.00	340.71	---	7.84

* Restricted to monies under Court control

Govett (John) Unit Mngmt Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Exempt	108.75	112.46	-0.60	3.60

Henderson Unit Trust Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gross
Pensions Mngd	61.69	62.96	-0.36	2.77

Albany Life Assurance Co Ltd - Contd.

Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
Brit Blue Chip Acc	241.4	254.1	-2.7	-
Eq Pen Fd Acc	2910.0	3063.4	-43.1	-
Euro Fd Acc	406.4	427.7	-6.9	-
Intl Fixed Int Acc	632.3	665.5	-1.4	-
Fixed Int. Acc	1172.3	1234.0	-1.2	-
Gt Money Pn Acc	660.5	695.2	+0.1	-
High Interest	240.1	252.7	0.0	-
High Income Fd Acc	176.1	185.3	-1.5	-
Intl Man Fd	838.0	882.1	-4.7	-
Jap Pac Fd Acc	401.6	422.7	+1.8	-
UK Smlr Co's Fd Acc	133.8	140.8	-1.8	-
Europlus Metro	161.1	169.5	-2.3	-
Global Metro	122.2	128.9	-0.9	-
Sunrise Metro	181.2	190.7	+0.7	-
UK Metro	145.8	153.6	-1.3	-
N Am Pn Fd Acc	381.7	401.8	-1.5	-
Pen Mngd Fd Acc	302.3	318.2	+1.7	-
Property	678.5	714.1	+0.1	-
Mngd Inv Pens Acc	2029.6	2136.4	-19.4	-
Regular Funds				
YRA Strategy	151.4	159.4	-0.1	-
YRA Performance	144.2	151.7	-0.3	-

Allied Dunbar Assurance Plc
Allied Dunbar Ctr, Swindon SN1 1EL 0793 514514

INSURANCES

OTHER UK UNIT TRUSTS

FT MANAGED FUNDS SERVICE

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Providence Capital Life Assc. Co Ltd - Contd.

Alpha Pension Funds	Bid Price	Offer Price	+ or -	Yield Gross
UK Alpha	220.9		-2.1	-
US Alpha	121.9		+0.2	-
Gilt Alpha	89.0		+0.1	-
Gold Alpha	95.1		-0.2	-
Japan Alpha	45.2		-	-
US Dollar Alpha	75.7		-0.4	-
Yen Alpha	80.7		-0.6	-
DM Alpha	96.8		-	-
European Alpha	69.5		-1.8	-

Provident Life Assoc Ltd
Provident Way, Basingstoke RG21 2SZ 0256 470707

Gold Range (Pensions)	Bid Price	Offer Price	+ or -	Yield Gross
Managed Fund	187.8		-0.9	-

Provident Mutual Life Assc. Assn.
6 Hills Way Stevenage Herts SG1 2ST 0438 732000

	Bid Price	Offer Price	+ or -	Yield Gross
Managed Ord	517.8	438.5	-2.2	-
Managed Init	294.4	309.9	-1.8	-
Equity Ord	619.8	652.4	-2.8	-
Equity Init	437.0	460.0	-3	-
Index Linked Gilt Ord	197.8	208.2	+0.5	-
Index Linked Gilt Init	145.7	153.4	+0.5	-
Overseas Equity Ord	336.8	354.5	-3.9	-
Overseas Equity Init	237.8	250.0	-2.7	-
Property Ord	229.4	241.8	-	-
Property Init	161.8	170.5	-	-
Fixed Interest Ord	250.0	262.1	-0.4	-
Fixed Interest Init	189.0	198.9	-0.4	-
Deposit Ord	197.3	207.7	-	-
Deposit Init	139.1	146.4	-	-
Pension Funds				
Managed Ord	550.7	579.7	-3.5	-
Managed Init	392.5	406.7	-2.6	-
Equity Ord	843.5	887.9	-4.7	-
Equity Init	594.8	626.1	-3.4	-
Pen Ind Lkd Gilt Ord	225.4	237.3	+0.7	-
Pen Ind Lkd Gilt Init	166.0	174.7	+0.6	-
Overseas Equity Ord	391.5	412.1	-3.5	-
Overseas Equity Init	276.1	290.6	-3.9	-
Property Ord	293.7	309.2	+0.1	-
Property Init	207.1	210.2	+0.1	-
Fixed Interest Ord	349.1	367.9	-0.4	-
Fixed Interest Init	246.2	259.2	-0.3	-
Deposit Ord	289.2	304.4	-	-
Deposit Init	203.9	214.0	-	-

Scottish Amicable
150 St Vincent St, Glasgow 041-248 2323

Life Funds (First Series)	Bid Price	Offer Price	+ or -	Yield Gross
Managed	405.2	426.6	-1.00	-
Equity	504.5	531.1	-1.30	-
Property	243.3	256.2	-0.01	-
International	400.4	421.5	-0.90	-
Japanese	114.0	121.0	-0.50	-
Asia Pacific	139.3	146.7	+0.90	-
European	108.0	113.7	-1.20	-
American	143.8	151.4	+0.10	-
Fixed Interest	349.7	368.2	+1.10	-
Index-Linked Gilt	190.0	200.0	+0.80	-
Cash	220.8	232.5	-	-
Life Funds (Second Series)				
Managed	112.8	118.8	-0.30	-
Equity	108.5	114.3	-0.30	-
Property	102.3	107.7	-	-
International	123.8	130.4	-0.30	-
Japanese	110.2	121.3	-0.50	-
Asia Pacific	136.7	143.9	+0.50	-
European	107.1	112.8	-1.20	-
American	140.6	148.0	+0.10	-
Fixed Interest	131.8	138.8	+0.40	-
Index-Linked Gilt	121.6	128.0	+0.40	-
Cash	109.6	116.4	-	-
Pension Funds				
Building Society	174.3	183.5	+0.10	-
Managed (Init)	233.7	246.0	-0.70	-
Managed (Acc)	465.8	490.2	-1.30	-
Equity (Init)	261.6	275.3	-0.80	-
Equity (Acc)	521.1	548.6	-1.70	-
Property (Init)	150.6	155.8	-	-
Property (Acc)	300.2	310.1	+0.06	-
International (Init)	236.1	248.6	-0.60	-
International (Acc)	470.8	495.4	-1.10	-
Fixed Interest (Init)	232.4	244.7	+0.60	-
Fixed Interest (Acc)	463.2	487.6	+1.30	-
Cash (Init)	153.0	162.0	-	-
Cash (Acc)	306.7	322.9	+0.10	-
Others				
Capital Guarantee Bond	98.1	103.3	-0.40	-

Scottish Equitable Life Assce. Soc.
28 St Andrew Sq, Edinburgh 031-556 9101

	Bid Price	Offer Price	+ or -	Yield Gross
Mixed	225.1	237.0	-2.1	-
UK Equity	213.3	224.5	-1.8	-
International	226.7	238.6	-1.0	-

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

مكتبة الأصل

FT MANAGED FUNDS SERVICE

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	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Lloyds Bank (CI) U/T Mgrs.						
PO Box 195, St Helier, Jersey 0534 284242						
Lloyds Tst. Gilt	3½	[illegible]	10.400xd	10.778	—	7.43
Dealing daily						
Midland Bank Fund Managers (Jersey) Ltd						
PO Box 26, St Helier, Jersey 0534 606000						
Intl Circuit Portfolio	5	[illegible]	1.2287	1.3029	[illegible]	0.16
Gilt	3	[illegible]	1.0068xd	1.0302	[illegible]	7.71
Prudential Fund Managers (Jersey) Ltd						
PO Box 103, St Helier, Jersey 0534 70009						
Prudential Currency Fd (Formerly Vanbrugh Currency Fd)						
Income (A & B)	0	210.8	210.8	221.1	-1.0	3.43
Growth (C & D)	5	317.2	317.2	333.1	-1.0	—
Royal Trust Jsy Fd Mngt Ltd (1400)F						
PO Box 428, St Helier, Jersey 0534 27441						
Govt Secs Fd	4	55.99	55.99	58.29	-0.08	7.56
Standard Bank Fund Mngmt (Jersey) Ltd						
PO Box 583, St Helier, Jersey CI 0534 67557						
International Bond	5		16.05	16.87	-0.01	4.54
Sterling Bond	3		9.945	10.29	—	[illegible]
Sterling Cap			42.98	42.71	+0.01	5.30
TSB Trust Funds (CI)						
PO Box 538, St Helier, Jersey 0534 503002						
TSB Offshore Investment Fund Ltd						
Stg Deposit Class	3	101.51	101.51	104.55	+0.02	5.00
Gilt & Fixed Interest	6	119.55	119.55xd	121.60	—	7.47
Blue Chip & Gilt Edged	5	59.82	59.82	62.75	-0.48	3.63
International Bond	5	137.28	137.28	144.33	-0.33	4.91
UK Equity	5	251.28	258.72	273.30	-1.07	1.27
International Equity	6	178.96	182.51	110.18	+0.03	0.35
Far Eastern	6	173.10	175.22	184.44	-0.75	0.00
European	6	127.82	129.85	136.61	-0.59	0.00
Pan American	5	366.44	370.84	390.05	+0.08	0.00
TSB Gilt Fund Ltd						
Quarterly Share	3	152.08	107.55xd	111.07	+0.01	7.88
Monthly Share	3	100.60	100.60xd	110.25	+0.01	7.82

JERSEY (REGULATED)(**)

Barclays Intl Funds

[illegible]

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
Banque Scandinave a Luxembourg SA - Contd.						
Scandifond Bond Fund						
Bond Intl. Acc	1		12.35	12.48	+0.01	5.64
Europe Bond Acc	1		1.54	1.60	+0.01	7.16
Bond DEM Acc	1	DM-	1.23	1.26	—	6.64
Bond USD Acc	1	$-	1.43	1.45	—	5.75
Bond Sweden Acc	1	Skr-	16.65	16.63	-0.01	10.16
Scandifond International Sicav						
Intl Emerging Markets	5	$-	1.08	1.12	—	—
Barclays Diversified Portfolio						
14 rue Aldringen L-1118 352 4799 2030						
IPB Deutschmark Reserve		DM-	51.08	—	—	—
IPB Sterling Reserve		£-	10.40	—	—	—
IPB Swiss Franc Reserve		SFr-	30.65	—	—	—
IPB US Dollar Reserve		$-	20.38	—	—	—
IPB European Bond		Ecu-	17.87	—	—	—
IPB North American New		$-	21.45	—	—	—
IPB Espana		Pta-	2802	—	—	—
IPB Europe		Ecu-	18.01	—	—	—
IPB Japan		$-	20.35	—	—	—
IPB Pacific Rim		$-	22.88	—	—	—
IPB United Kingdom		£-	11.01	—	—	—
IPB United States		$-	51.44	—	—	—
Barclays Inv Funds (Luxembourg)						
41 Avenue de la Gare L-1611 010 352 404344						
Equity Funds						
European Equity ✦	5¼	$-	0.914	0.972	-0.018	0.3
Intl Equity ✦	5¼	$-	1.440	1.532	-0.002	0.6
North Am Eqty ✦	5¼	$-	33.69	35.82	-0.010	0.3
Pacific Eq ✦	4¾	$-	6.165	6.544	-0.057	0.5
UK Equity ✦	5¼	£-	1.090	1.160	-0.008	2.8
Bond Fund						
International Bond ✦	3½	$-	100.4	104.90	+0.020	5.3
CMI Asset Management (Luxembourg) SA						
203 route d'Arlon, L-1150 Lux 010 352 456825						
CMI Managed Portfolio Investment Company (z)						
Safeguard Portfolio F.		£-	1.281	1.343	-0.010	—
Growth Portfolio F.		£-	1.131	1.204	-0.011	—
Enterprise Portfolio F.		£-	1.078	1.146	-0.015	—
CMI Global Network Fund (z)						
Australasian Equity		A$-	13.466		+0.007	—
Benelux Equity		Dfl-	27.872		-0.146	—
Canadian Equity		C$-	9.980		-0.110	—
SE Asia Equity		$-	13.374		+0.065	0.85
French Equity		FFr-	82.091		-1.14	0.84
German Equity		DM-	18.210		-0.170	—
Iberian Equity		Pta-	780		-1	0.01

[illegible]

SWITZERLAND (SIB RECOGNISED)

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

LUXEMBOURG (SIB RECOGNISED)

[illegible]

MANAGED FUNDS NOTES

[illegible]

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling roller-coaster gains

The pound yesterday made erratic progress on the foreign exchanges, showing early strength against both the dollar and the D-Mark which later proved difficult to sustain.

During the morning, European currency traders seemed to shrug off worries about today's Maastricht vote in the House of Commons, as sterling gained a pfennig against the D-Mark, and more than a cent against the dollar. By the end of trading, however, the UK currency had only built on these gains in the case of the dollar, closing 1.3 cents higher at $1.5145. Against the D-Mark, sterling had retreated to close ¾ pfennig higher at DM2.5725.

Sterling's haphazard movement came as the markets tried to weigh a new batch of healthy domestic figures against the political trials facing the government and the retreating prospect of German interest rate cuts. Retail sales rose by 1.3 per cent in June compared with the previous month, while exports last month rose to their highest ever levels. In the end, political instability appeared to have been the least important factor.

The better than expected UK figures were decisive against the dollar, said analysts, because the markets seem to be expecting quite poor economic figures to come out of America in the months ahead.

This would explain the dollar's fall the previous day, despite the upbeat comments of the Chairman of the Federal Reserve in his testimony before Congress on Wednesday. This would usually have boosted the dollar, but traders believe the desire to sell the dollar will continue.

Sterling's gains against the D-Mark were restrained by the fact that many traders now think that unacceptable domestic monetary growth is going to keep German interest rates high for a while longer.

Meanwhile, the currency markets did not appear to be too concerned about the political uncertainties overshadowing British events.

"Foreign investors are tending to view the Maastricht vote the same way as a number of MPs" said Mr Julian Callow, international economist et Midland Global Markets in London. "They don't really understand the issue and are just hoping it will all blow over. At the end of the day, most in the market probably think Mr Major will win, but at the moment the pound is really only reacting to economic news."

The dollar also lost ground against the D-Mark, closing DM1.6985, more than a pfennig down on the previous day's close of DM1.7090.

The Bank of France announced that they had bought French francs, as traders focused again on whether the French government can withstand an absence of German interest rate cuts at next week's Bundesbank council meeting. The French currency later recovered, however, to finish Ffr3.415, only e little lower then the previous day's finish of Ffr3.417.

£ IN NEW YORK

Jul 21	Latest	Previous Close
£ Spot	1.5165 - 1.5175	1.5100 1.5110
1 month	0.37-0.36pm	0.38pm 0.37pm
3 months	1.09-1.07pm	1.07 1.05pm
12 months	3.23-3.12pm	3.23 3.15pm

Forward premiums and discounts apply to the US dollar

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jul 21	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	192.854	189.775	-1.60	3.39	27
Spanish Peseta	154.250	153.026	-0.79	2.55	14
Dutch Guilder	2.19672	2.19114	-0.25	1.99	32
Irish Punt	0.808628	0.807087	-0.16	1.93	26
D-Mark	1.94964	1.94651	-0.16	1.89	36
Belgian Franc	40.2123	40.2007	-0.03	1.76	21
Danish Krone	7.43679	7.52917	1.24	0.49	-36
French Franc	6.53883	6.65232	1.74	0.00	-75

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate. (17/9/92) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

STERLING INDEX

CURRENCY RATES

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

CURRENCY MOVEMENTS

EURO-CURRENCY INTEREST RATES

OTHER CURRENCIES

EXCHANGE CROSS RATES

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Pesetas per 100.

FINANCIAL FUTURES AND OPTIONS

MONEY MARKETS

German M3 worries

The odds lengthened yesterday on a cut in German official interest rates before the Bundesbank's summer recess with the news that German monetary growth bad grown by an annualised 7.1 per cent, *writes Stephanie Flanders.*

Forecasters had predicted that the growth in German M3 would be around 6.6 per cent. This would have skirted the edges of the German central bank's target range, giving it some leeway to reduce official rates at next week's council meeting. But the revelation that money growth had accelerated in June compared to the previous mooth's figures left many seeing little chance of a pre-recess rate cut.

UK clearing bank base lending rate
6 per cent
from January 26, 1993

Rumours tbat the figures would disappoint had spread through European markets on Tuesday. But the Bundesbank's decision yesterday to allow a lower repo rate of 7.15 per cent, compared with 7.28 per cent last week, left many analysts not knowing wbat to expect.

"The balance of market opinion now considers a discount rate cut unlikely", said one London-based economist. "Particularly when we could see German inflation figures of around 4.4 to 4.5 per cent sometime over the next few days".

The new pessimism remains tempered, however, by the fact that the new pact left the repo rate only 45 basis points above the current German discount rate of 6.75 per cent. There are those who think thet the Bundesbank will feel uneasy entering the thin markets of the summer recess with only this limited scope to react to renewed ERM tension.

Amid such imponderables, European money market rates were a little subdued in yesterday's trading. But both D-Mark and French franc foture contracts fell in response to the German money supply data. The D-Mark September contract closed at 93.16, down 11 basis points oo the previous day. Septemher Pibor futures were similarly affected, dropping 13 points lower to close at 92.69.

In London money markets, conditions tightened through the day due to a lingering shortage initially forecast at £1.3bn but later revised upwards to £1.45bn. Overnight rates started the day at around 6¾ per cent, hut rooe consistently to reach 8 per cent towards the end of the day. Trading in sterling futures was also affected by the German data, with September sterling closing 8 points lower at 94.04.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

BASE LENDING RATES

MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

WORLD STOCK MARKETS

AUSTRIA, BELGIUM/LUXEMBOURG, DENMARK, FINLAND, FRANCE, GERMANY, ITALY, NETHERLANDS, NORWAY, SPAIN, SWEDEN, SWITZERLAND, SOUTH AFRICA, JAPAN, AUSTRALIA, HONG KONG, MALAYSIA, SINGAPORE — stock price listings [illegible]

CANADA

TORONTO

4 pm close July 21

Quotations in cents unless marked $

[illegible]

25	Celanese	1552	51½	52 +¾
1108	CnCpital	50	50	50
24200	Cinepx Ode	355	345	355
8600	Cntrl Fd A	$7¼	8⅞	6⅞
74	Cominco	$14¼	14¼	14¼ -¼
61300	Coquisalng	290	280	290
74	Corel Sys	$22¾	22⅝	22⅝ -⅛
5800	CoscanDev	150	149	150
49200	CrownX A	330	325	325
15526	Labatt	$22½	22⅜	22⅜ -⅛
120126	Lac Mnrls	$11½	10⅞	11¼ -⅛
6120	Lafarge	$19¾	19⅝	19⅝
1700	Laidlaw A	$8⅝	8½	8½
353	Laidlaw B	$8¼	8	8½ +⅛
800	Laurent Bk	$17¼	17	17
1000	Laurent Gp	$8½	6½	6½
48	Lawson Mar	$9½	9½	9½ +⅛
3050	Rothmans	$102	101½	101½
202555	RoyalBkCan	$27½	21¼	21⅝ -⅛
80	Ryl Oak Mn	$6¾	6⅝	6⅝
85	StLawrCm A	$7	7	7
365	SceptreRs	$10	9⅞	9⅞ -¼
11000	ScotPaper x	$11¼	11¼	11¼
5619	Scotts Hos	$8½	8½	8½
5328	Seagram Co	$33¼	32⅞	32⅞ -⅛

* - No voting rights or restricted voting rights

MONTREAL

4 pm close July 21

[illegible]

82078	NatBk Can	$10⅝	10½	10⅝ -⅛
8600	Quebecor A	u$20½	20⅜	20⅜ +⅛
1925	Teleglobe	$15⅞	15⅝	15⅝ -⅛
1000	Unlva	$7¼	7¼	7¼ +⅛
8430	Videotron	$23¼	23¼	23¼ -¼

Total Sales 10,929,346 shares

INDICES

NEW YORK

DOW JONES	July 20	July 19	July 16	July 15	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3544.78	3535.28	3528.29	3550.93	3554.83 (27/5)	3241.95 (20/1)	3554.83 (27/5/93)	41.22 (2/7/32)
Home Bonds	107.48	107.30	107.41	107.41	107.75 (29/6)	103.49 (11/1)	501.97 (27/4/93)	54.99 (1/10/81)
Transport	1598.84	1547.57	1546.92	1541.51	1683.08 (18/4)	1453.84 (4/1)	1683.08 (18/4/93)	12.32 (8/7/32)
Utilities	245.85	246.18	245.12	244.86	247.68 (16/4)	217.14 (8/1)	247.68 (16/4/93)	10.50 (8/4/32)

DJ Ind. Day's High 3567.88 (3583.29) Low 3500.63 (3502.87) (Theoretical)
Day's High 3548.97 (3540.50) Low 3511.25 (3524.94) (Actual)

STANDARD AND POOR'S

	July 20	July 19	July 16	July 15	1993 HIGH	1993 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	447.31	446.03	445.75	449.22	456.33 (10/3)	429.05 (8/1)	456.33 (10/3/93)	4.40 (1/6/32)
Industrials	507.91	505.88	506.30	511.35	524.88 (10/3)	495.48 (28/4)	524.88 (10/3/93)	3.62 (21/6/32)
Financial	45.52	45.85	45.39	45.53	46.67 (13/4)	38.89 (8/1)	46.67 (13/4/93)	8.64 (1/10/74)
NYSE Composite	247.71	247.35	247.45	248.98	251.36 (10/3)	236.21 (8/1)	251.36 (10/3/93)	4.46 (25/4/42)
Amex Mkt. Value	433.79	433.48	438.47	437.90	440.95 (4/8)	395.84 (8/1)	440.95 (4/8/93)	29.31 (9/12/72)
NASDAQ Composite	701.90	695.83	699.73	708.89	712.49 (14/7)	645.87 (26/4)	712.49 (14/7/93)	54.87 (31/10/72)

	July 16	July 9	July 2	year ago (approx.)
Dow Industrial Div. Yield	2.95	2.93	2.98	3.13
	July 14	Jul 7	Jun 30	year ago (approx.)
S & P Industrial div. yield	2.52	2.58	2.51	2.68
S & P Ind. P/E ratio	25.37	24.89	25.42	28.45

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
IBM	4,588,300	42⅞	- ¾
Unisys	4,444,400	10¼	- ⅝
Chrysler	4,187,400	46	+ 1⅝
Sears Roebuck	4,032,500	50⅞	+ 4¾
Citicorp	3,548,200	31⅝	- ¼
Merck	3,491,000	33¼	+ 1¼
Intl Game	3,304,900	34⅞	- 1¼
Philip Morris	3,227,200	48½	+ ¼
Glaxo	2,836,700	15⅝	.....
Sprint	2,816,000	35	+ 1¼

TRADING ACTIVITY

† Volume (Millions)	July 20	July 19	July 16
New York SE	275.121	215.850	243.346
Amex	15.480	16.454	15.730
NASDAQ	261.653	239.818	282.884
NYSE			
Issues Traded	2,589	2,580	2,585
Rises	870	854	898
Falls	1,054	1,058	1,005
Unchanged	665	668	682
New Highs	83	85	116
New Lows	35	42	30

CANADA

TORONTO	July 20	July 19	July 16	July 15	1993 HIGH	1993 LOW
Metals & Minerals	2850.56	2828.13	2852.17	2867.52	3020.48 (2/7)	2743.31 (21/1)
Composite	3876.14	3867.74	3901.80	3931.30	3997.72 (2/7)	3275.80 (21/1)
MONTREAL Portfolio	1850.70	1846.54	1867.17	1877.28	1939.19 (25/6)	1730.97 (21/1)

Base values of all Indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto Indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable. ¢ The DJ Indl. Index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation.

	July 21	July 20	July 19	July 16	1993 HIGH	1993 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1818.5	1806.1	1796.2	1799.8	1918.50 (21/7)	1495.00 (13/1)
All Mining (1/1/80)	843.5	841.5	838.3	841.4	868.70 (12/7)	584.70 (13/1)
AUSTRIA						
Credit Aktien (30/12/84)	367.20	364.20	363.05	356.44	367.20 (21/7)	300.26 (14/1)
Traded Index (2/1/91)	912.57	903.86	899.77	877.99	912.57 (21/7)	712.06 (18/1)
BELGIUM						
BEL20 (1/1/91)	(c)	1313.21	1319.47	1327.45	1331.58 (15/7)	1125.46 (4/1)
DENMARK						
Copenhagen SE (3/1/83)	311.69	312.40	312.71	312.75	314.85 (30/6)	261.90 (4/1)
FINLAND						
HEX General (28/12/90)	1259.4	1259.1	1234.0	1222.9	1259.40 (21/7)	843.10 (22/1)
FRANCE						
CAC General (31/12/81)	540.08	543.10	543.85	540.35	547.37 (30/3)	471.34 (13/1)
CAC 40 (31/12/87)	1947.53	1960.44	1961.70	1974.93	2035.91 (30/3)	1772.21 (20/1)
GERMANY						
FAZ Aktien (31/12/58)	705.83	710.52	708.24	698.99	710.52 (20/7)	598.92 (14/1)
Commerzbank (1/12/53)	2008.8	2024.4	2021.8	1984.3	2024.40 (20/7)	1694.30 (14/1)
DAX (30/12/87)	1823.81	1838.99	1838.29	1813.46	1838.99 (20/7)	1516.50 (13/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6838.98	6846.81	6813.72	6825.22	7447.24 (27/5)	5437.80 (4/1)
IRELAND						
ISEQ Overall (4/1/88)	1627.68	1639.62†	1635.56	1635.12	1639.70 (15/7)	1191.19 (11/1)
ITALY						
Banca Com. Ital. (1972)	(u)	561.74	555.13	558.41	587.74 (20/7)	446.89 (6/1)
MIB General (4/1/93)	1231.0	1238.0	1223.0	1225.0	1238.00 (20/7)	882.00 (11/1)
JAPAN						
Nikkei (16/5/49)	20080.91	20038.00	20150.92	20391.53	21076.00 (3/6)	16287.45 (25/1)
Tokyo SE (Topix) (4/1/68)	1636.32	1634.83	1644.88	1662.88	1676.13 (3/6)	1250.08 (25/1)
2nd Section (4/1/68)	2225.25	2240.56	2250.52	2252.93	2384.97 (7/6)	1851.72 (26/1)
MALAYSIA						
KLSE Composite (4/4/86)	761.90	745.90	742.50	735.78	761.60 (21/7)	614.28 (13/1)
NETHERLANDS						
CBS Tot.Rtn.Gen.(End 1983)	348.1	349.7†	353.2	352.0	354.30 (13/7)	295.70 (4/1)
CBS All Shr (End 1983)	228.4	229.5	231.7	231.4	232.50 (12/7)	198.60 (13/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	848.43	851.92	849.92	855.03	856.66 (14/7)	669.93 (27/1)
PHILIPPINES						
Manila Comp (2/1/85)	1681.86	1650.77	1621.70	1615.06	1681.86 (21/7)	1270.68 (4/1)
SINGAPORE						
SES All-Singapore (2/4/75)	451.19	448.28	445.73	444.51	468.48 (31/5)	394.10 (13/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1864.0♥	1875.0	1928.0	1901.0	2092.00 (7/7)	775.00 (5/1)
JSE Industrial (28/9/78)	4570.0♥	4579.5	4608.0	4633.0	4779.00 (6/7)	4333.00 (19/4)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	751.94	749.88	749.38	759.17	777.25 (8/6)	605.93 (8/3)
SPAIN						
Madrid SE (30/12/85)	258.21	259.11	257.85	258.11	264.92 (22/6)	215.60 (4/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	1142.4	1155.7	1152.1	1148.0	1155.70 (20/7)	879.10 (28/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	1002.4	1008.0	1028.0	1033.4	1046.60 (13/7)	904.80 (11/1)
SBC General (1/4/87)	793.9	796.9	815.3	820.1	827.90 (13/7)	678.70 (11/1)
TAIWAN**						
Weighted Price (30/6/66)	3906.97	3907.84	3917.81	3914.04	5013.28 (7/4)	3088.43 (8/1)
THAILAND						
Bangkok SET (30/4/75)	894.55	891.22	898.91	885.36	998.44 (25/1)	818.84 (1/6)
WORLD						
M.S. Capital Intl.(1/1/70) $	586.2*	586.8	587.8	588.2	576.30 (3/6)	488.60 (13/1)
Euro Top-100 (26/6/90)	1023.92	1032.09	1037.81	1033.80	1037.81 (19/7)	862.73 (13/1)

**Saturday July 17: Taiwan Weighted Price: 3910.49, Korea Comp Ex. (c)
♥ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.

Base values of all indices are 100 except Austria Traded, BEL20, HEX Gen., MIB Gen., CAC40, Euro Top-100, ISEQ Overall and DAX - 1,000, JSE Gold - 255.7, JSE 20 Industrials - 264.3 and Australia All Ordinary and Mining - 500; (c) Closed. (u) Unavailable

TOKYO - Most Active Stocks

Wednesday, July 21, 1993

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nikkatsu	4.0m	20	+1	NEC Corp	2.7m	1,020	
Sumitomo Mtl Min	3.5m	336		Nippon Steel	2.6m	374	+7
Nagase & Co	3.0m	1,180	+20	Mitsubishi Heavy	2.5m	656	-2
Kyocera Corp	2.8m	6,230	-70	Kawasaki Steel	2.5m	340	
Sumitomo Mtl Ind	2.7m	1,060		Ushio Incorp	2.1m	950	-13

4 pm close July 21

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1993 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
14⅝	11½	AAR Corp	0.48	3.6	98	198	13⅝	13⅛	13⅜	-⅛
29⅜	20	A L Labs A	0.19	0.7	44	353	25⅝	25⅛	25⅝	
63⅞	54⅝	AMP Inc	1.88	2.7	21	1793	60⅜	60	60	-¼
72¾	55½	AMR			19	17517	66	63⅝	65½	+2⅛
2¾	1¾	ARX			14	18	2⅜	2¼	2⅜	-⅛
61½	29⅞	ASA	2.00	4.4	30	453	46⅞	45¾	45⅞	-⅞
30¾	22⅝	Abbott Lab	0.68	2.6	16	10005	26⅛	25⅝	26⅛	+½
12⅝	10	Abitibi Pr	0.50	5.1	4	4	9⅞	d9⅞	9⅞	-⅛
14¼	8¼	Acpincoln			233	110	14	13⅞	14	-⅛
32	25½	ACE Ltd	0.48	1.4		296	29	28¾	28¾	-½
12	10⅝	ACM Gvt In	0.80	6.1		274	11⅞	11¾	11⅞	
10	9⅛	ACM GvOpp	0.80	8.3		27	9⅞	8¾	9⅝	-⅛
9¾	8¾	ACM Gvt Sp	0.80	8.3		252	u9¾	8⅞	9⅝	
11⅝	10½	ACM Gvt Se	0.96	8.3		634	u11⅝	11½	11½	-⅛
11⅝	9⅝	ACM Man.	1.08	9.5		83	11½	11⅜	11⅜	-⅛
9⅞	8⅝	ACM Managd	0.72	7.9		296	9¼	9⅛	9⅛	
12⅞	7¾	Acme Cleve	0.40	3.0	15	52	11¾	11¼	11¼	-⅝
9¼	6½	Acme Elect			258	38	7¾	7⅝	7¾	+⅛
24¾	16⅝	Acordia	0.44	2.0	16	00	22¾	22⅜	22⅜	-¼
16	10⅝	Acuson			13	872	12⅝	12	12¼	
22½	19⅝	Adams Expr	0.48	2.4	1	150	20½	20¼	20¼	-¼
66	45½	Ad Micro	3.00	5.3		277	55½	54½	55	+¼
32¾	17⅝	Ad Micro P	3.00	12.1	9	7760	25⅜	24⅝	24¾	+⅛
7¾	5½	Advest Grp	0.16	2.8	6	62	6	5¾	5¾	-¼
24¾	17⅞	Advo Inc	0.50	0.5	19	740	17¾	d17¾	17¾	-¼
48⅞	41⅛	Aegon ADR	2.95	6.7	0	164	44⅜	44⅛	44⅜	-1
58¾	43⅞	Aetna Lf	2.76	4.8	147	1090	58⅜	57½	57½	-⅞
14½	11½	AHN A	0.26	1.8	30	1091	14⅛	14	14½	+⅛
32¼	28⅜	Aflac	0.40	1.3	10	842	30½	29⅜	30½	+1¼
22⅛	16¾	Ahmanson	0.88	4.4	23	1723	20⅛	19⅝	20	-⅛

Continued on next page

4 pm close July 21

NYSE COMPOSITE PRICES

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NASDAQ NATIONAL MARKET

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AMEX COMPOSITE PRICES

4 pm close July 21

AMERICA

Dow eases on monetary policy worries

Wall Street

EQUITY prices followed bonds lower yesterday morning, as uneasiness about the Federal Reserve's monetary policy pushed market interest rates higher, *writes Karen Zagor in New York*.

At 12.30 pm, the Dow Jones Industrial Average was down 6.71 at 3,538.07. The more broadly based Standard & Poor's 500 was off 1.00 at 446.31, while the Amex composite eased 0.59 at 433.20, and the Nasdaq composite fell 1.95 at 699.95. Trading volume on the NYSE was more than 137m shares by 12.30 m, and declines outnumbered rises by 996 to 746.

Losses were more severe in the bond market, where the benchmark 30-year bond had fallen ½ to 106⅝, yielding 6.600 per cent by lunchtime. Bonds have fallen steadily since Tuesday, when Mr Alan Greenspan, chairman of the Federal Reserve, told congress that US inflation was disappointing. His remarks sparked fears that the Federal Reserve might tighten monetary policy.

Compaq Computer climbed $3⅛ to $49 in very heavy trading following the release of second quarter earnings which met analysts' forecasts. Compaq's ability to meet investor expectations was in contrast to the performance of many other computer companies this quarter, most notably Apple Computer, which disappointed investors last week with weak third quarter earnings.

In Nasdaq trading, Apple's share price continued to erode after a one day hiatus on Tuesday. The stock was quoted $⅝ lower at $26. Also in the technology sector, Intel fell $1⅞ to $50⅞ after a court ruled against the company in copyright litigation with Advanced Micro Devices. The ruling helped lift shares in Advanced Micro Devices by $¼ to $24¾ in big board trading.

UAL, parent of United Airlines, rose $⅝ to $138⅝ after the carrier's three biggest unions announced terms of their offer to management. The unions, which last week said that they would offer significant cost reductions in exchange for a large stake in the airline, said that they would grant $3.6bn in labour concessions in return for a 60 per cent stake.

Second quarter results contributed to share price gains elsewhere in the sector. USAir firmed $⅛ to $18⅝ although the company said that its results for the quarter trailed earlier expectations, reflecting sluggish economic conditions. USAir posted operating income of $68.2m against the previous operating loss of $67.9m.

The escalation of the tobacco industry price war hit the sector. R.J. Reynolds slid $⅜ to $5⅝ after saying that it would consolidate three price levels into two in response to competitor Philip Morris's permanent price cuts. Shares in Philip Morris fell $1 to $47⅝.

Canada

TORONTO remained soft in midday trading as Northern Telecom's recent losses continued to put pressure on the market. The TSE 300 composite index lost 13.25 to 3,862.89 in volume of 26.23m shares valued at C$316m. Declines led advances by 305 to 220, with 271 unchanged.

Northern shares were down C$2⅞ to C$29 in 1.53m shares. The company earlier reported a US$1.03bn loss in the second quarter, after special charges.

SOUTH AFRICA

JOHANNESBURG finished off the day's lows as hopes grew for a higher trend in bullion prices. The gold shares index was down 11 at 1,864, after an early 1,824, industrials lost 9 at 4,570 and the overall index was 26 lower at 4,029.

EUROPE

German M3 data counterbalance repo rate cut

THE rise in German M3, coupled with a growing, but not universal, belief that the Bundesbank is now unlikely to cut interest rates again before its summer recess, left many markets weaker yesterday, *writes Our Markets Staff*.

FRANKFURT liked a repo rate cut of 13 basis points to 7.15 per cent, but the DAX index still incorporated Tuesday's post-bourse declines to close 15.18 lower at 1,823.81. In the afternoon, prices wavered in response to a rise in Germany's M3 money supply growth indicator to 7.1 per cent, against the 6.6 per cent expected by most analysts.

Turnover fell from DM9.2bn to DM8.2bn. Mr Nigel Longley of Commerzbank said that the bank was still a bull of the market, on indications that M3 will get into its target 4.5 to 6.5 per cent growth "corridor" in the second half of this year, and in the expectation of a key interest rate cut next week.

Profit-taking hit both cyclicals, strong to the June quarter, and more defensive stocks like utilities which have picked up in the past few days. Daimler dropped DM9.50 to DM6.80 in carmakers, Thyssen shed DM7.50 to DM206 in steels and Viag, the utility-based conglomerate, lost some of its recent excitement with a fall of DM4.90 to DM393.30. However Mr Longley, like other dealers, thought yesterday's fall a healthy reaction after a 140-point DAX gain in just over a fortnight.

PARIS anticipated weakness in the bond market and fell sharply before picking up some strength just before the close. The CAC-40 index ended off 20.91 or 1 per cent at 1,947.53, after a day's low of 1,939.

Turnover was estimated at FFr2.3bn.

In the automotive sector Peugeot closed FFr10 lower at FFr608 while Valeo went against the trend with a rise of FFr6 to FFr697.

Flemings, in a recent research document on the European automotive industry, gives a fairly positive long-term outlook for Peugeot, in spite of a gloomy earnings outlook for 1993 and 1994. However, the brokers remark that efforts by the group to improve productivity and keep manufacturing costs in check should help it raise earnings potential from 1995 compared with other European car manufacturers.

In contrast, James Capel yesterday issued a sell note on Valeo, which has risen 22 per cent since its year's low in May, arguing that there is considerable downside risk if the "vague expectations of some form of a corporate deal involving Cerus" [which has a 35 per cent stake in the group] do not develop.

BSN was the day's most active issue, as the shares declined another FFr9 to FFr833, with selling seen from the UK.

Unconfirmed reports of a possible agreement in the dispute between Eurotunnel and TML contributed to the shares gaining 90 centimes or 2.5 per cent to FFr36.30.

Alcatel slipped FFr4 to FFr641 after it said that it was buying a unit of Northern Telecom of Canada, thereby creating the world's biggest undersea cables group.

ZURICH regained a measure of composure after some heavy early selling had continued Tuesday's market correction. The SMI index finished 9.0 lower at 2,315.1, after a day's low of 2,281.6.

UBS bearers again led the market lower, losing SFr6 to SFr1,119, while Nestlé, actively sold by foreign investors, dipped SFr16 to SFr1,032.

Insurers picked up after Tuesday's falls as it became clear that much of the US flood damage was not insured. Zurich Insurance bearers and registered shares added SFr38 and SFr40 respectively, both to SFr1,190.

Brown Boveri continued against the trend, adding SFr18 to SFr875.

MILAN made a firm start, before worries about the weakness of the lira against the dollar and the D-Mark prompted a round of profit-taking which left the Comit index 3.37 lower at 558.37.

A rise to 9.66 per cent in the average rate at the Bank of Italy's repurchase tender, compared with the previous 9.34 per cent, was also higher than the market had been expecting.

Olivetti's strong run came to an abrupt halt with a fall of L68 or 4.5 per cent to L1,818, although it remains supported by expectations that it will win the franchise for Italy's second mobile telephone operator.

Ferruzzi picked up another L25 or 6.5 per cent to L409.5 and Montedison was L29.5 or 4.5 per cent higher at L680 on rising hopes for the rescue plan being arranged by creditor banks.

AMSTERDAM's weakness continued with a fall in the CBS Tendency index of 1.0 to 116.2.

Nedlloyd rose on early reports that it might be seeking joint ventures or mergers for its container shipping division, before falling back on a denial by the group, to close off 10 cents at Fl 39.00.

Unilever pulled back from a year's low, ending off 60 cents at Fl 187.10 while DSM fell Fl 1.10 to Fl 96.90 ahead of second quarter results next week which are expected to be disappointing.

STOCKHOLM ended its recent rally as domestic interest rates were increased and profit-taking set in. The Affärsvärlden general index lost 13.50 to 1,142.40 as turnover slipped to SKr914m from SKr963m.

FT-SE Actuaries Share Indices

July 21								THE EUROPEAN SERIES
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1216.48	1217.33	1218.11	1218.17	1215.33	1211.02	1212.79	1212.75
FT-SE Eurotrack 200	1257.93	1268.61	1271.18	1271.01	1268.16	1264.82	1268.04	1266.97

	Jul 20	Jul 19	Jul 16	Jul 15	Jul 14
FT-SE Eurotrack 100	1224.85	1235.43	1234.37	1229.70	1237.14
FT-SE Eurotrack 200	1275.46	1283.54	1281.88	1278.79	1283.38

Base value 1000 (26/10/90) High/day: 100 - 1218.94; 200 - 1271.79 Low/day: 100 - 1210.61 200 - 1264.18

ASIA PACIFIC

Nikkei edges ahead as Australia hits five-year high

Tokyo

UNCERTAINTY over political events and a gloomy outlook for the economy discouraged investors, and business was slow as the Nikkei average gained marginal ground, *writes Emiko Terazono in Tokyo*.

The Nikkei finished 42.91 higher at 20,080.91 after a day's low of 19,972.60 and high of 20,117.71. After institutional investors and foreigners rearranged their portfolios during the first 30 minutes of trading, the index remained around the 20,000 level, in line with index-linked activity.

Volume totalled 250m shares, against 236m. Traders noted the absence of public pension and insurance funds. Declines led rises by 523 to 420, with 220 issues unchanged. The Topix index of all first section stocks edged up 1.69 to 1,636.32 and, in London, the ISE/Nikkei 50 index firmed 0.44 to 1,244.39.

Weak economic figures suggested that while the economy has hit a bottom, the wait for a rebound would be prolonged. A fund manager said that with the economy moving in an "L shape" it is unlikely that aggressive buying would emerge in the short term.

Weak household spending figures indicated sluggish consumer confidence, while the government's leading indicator fell below 50 per cent, the boom-bust line, for the first time in four months.

Investors were also discouraged by reports that leading manufacturers, including Toyota and electronics manufacturers, will lengthen their summer holidays to curb output.

Stocks linked to East Japan Railway, which will have its shares listed on the Tokyo Stock Exchange on October 26, were actively traded.

Advertising for the stock sale, by JR East and brokers, started yesterday. Nippon Express, the parcel delivery company, rose Y10 to Y1,050 and Keisei Electric Railway gained Y10 at Y1,260.

The lack of fresh news prompted speculative trading. Nikkatsu, the most active issue of the day, firmed Y1 to Y20 and Nagase, a chemical maker, put on Y20 at Y1,190 on rumours that a subsidiary was seeking to be listed. Hazama, the construction group involved in several bribery scandals, lost further ground, closing Y13 down at Y444.

Profit-taking depressed issues which had risen earlier on reports that DDI, a telecommunications company, would apply for listing. Kyocera fell Y70 to Y6,230 and Ushio retreated Y13 to Y950.

In Osaka, the OSE average rose 50.97 to 22,173.59 in volume of 20.8m shares.

Roundup

PACIFIC Rim markets found their own reasons for a series of mostly strong performances.

AUSTRALIAN shares finished at their highest level since October 1987, with local demand spurred by hopes of a cut in interest rates, perhaps after the release of inflation and trade figures next week.

The market was also supported by strong European and Asian demand for blue chip issues, and the All Ordinaries index ended 12.4 higher at 1,818.5 in turnover of A$436.9m.

NEW ZEALAND advanced to a three-year high, with encouragement for equities coming from the bond market and an opinion poll giving the ruling conservative National party a seven-point lead over the opposition Labour party, ahead of the election later this year. The NZSE-40 index closed 15.59, or 0.9 per cent, ahead at 1,729.50.

KUALA LUMPUR climbed 2.1 per cent to an all-time peak amid strong institutional buying of blue chip stocks after the market's recent correction. The composite index was finally 15.70 up at 761.60 following late profit-taking that had limited gains after index-linked stocks had led the way up.

MANILA posted a record close, with local dealing fuelled by gains made on Wall Street by Philippine Long Distance Telephone.

The composite index surged 31.09 to 1,651.86 as PLDT added 35 pesos at 1,050 pesos.

SINGAPORE rebounded on renewed institutional buying of blue chips after news that Singapore Telecom's flotation would be carried out in stages, freeing up the market's near to medium-term liquidity.

The Straits Times Industrial index finished 31.33, or 1.7 per cent, stronger at 1,805.67.

KARACHI was again higher after further comments by Mr Moeen Qureshi, the caretaker prime minister, reiterating a continuation of liberal economic policies. The KSE index advanced 13.42 to 1,320.33.

BOMBAY edged forward on renewed buying by speculators from other centres such as Calcutta and Ahmedabad. The BSE index closed 20.68 up at 2,126.15.

HONG KONG saw an early rally run out of steam, leaving the Hang Seng index a net 6.83 off at 6,839.98 in turnover that shrank to HK$2.35bn.

Stock prices opened higher and the index climbed more than 40 points at one stage in the morning as optimism about the Sino-British talks sparked buying.

But the mood changed in the afternoon, following news that the US could take action against China if it continued to sell missiles to Pakistan.

Brazil slips 4% after defeat of wages bill

By John Pitt

MANY of the world's emerging markets suffered modest downward corrections last week, with Brazil slipping some 4 per cent in dollar terms.

Brazil's fall, as measured by data provided by the IFC, a member of the World Bank, followed the government's defeat on a wages bill which had aimed to limit monthly wage increases. Subsequently, President Itamar Franco vetoed the bill, and this week the market has again rallied.

Mexico, one of the world's laggards in performance terms so far this year, has attracted the attention of First Boston's equity strategists. They have recently recommended an overweight position in Mexico over the next quarter, based on factors which include "positive economic news, attractive valuations and the imminent signing of the Nafta side agreements".

The Indonesian market has shown a strong performance in dollar terms since January. While it is one of the world's more illiquid markets, a point noted by Baring Securities in a recent country review, the market has rallied by 30 per cent in the first half of 1993.

Baring comments that the rally has been led by forecasts of a projected earnings recovery in 1994 and a reduction to interest rates. Daily turnover has also recovered substantially, the broker comments, from $13m in April to above $31m at the start of June.

A consolidation is forecast in the third quarter, with activity picking up by the year-end on expectations of improved 1994 earnings, Baring concludes.

EMERGING MARKETS: IFC WEEKLY INVESTABLE PRICE INDICES

Market	No. of stocks	Dollar terms Jul 16 1993	% Change over week	% Change on Dec '92	Local currency terms Jul 16 1993	% Change over week	% Change on Dec '92
Latin America							
Argentina	(11)	601.58	-1.4	+3.7	369,143.81	-1.4	+3.9
Brazil	(44)	182.21	-4.0	+45.8	15,616,224.20	+2.0	+648.8
Chile	(20)	413.63	-0.3	-1.2	670.08	-0.4	+4.5
Colombia[1]	(8)	390.50	+1.5	-8.2	551.22	+2.3	-9.8
Mexico	(59)	650.97	+0.5	-3.7	877.86	+0.7	-3.3
Venezuela[2]	(8)	580.24	0.0	+11.7	1,196.90	+0.5	+28.2
East Asia							
South Korea[3]	(130)	102.36	-2.2	+4.3	108.65	-1.6	+6.6
Philippines	(11)	152.21	0.0	+14.0	198.90	+0.5	+23.0
Taiwan, China[4]	(76)	82.88	-4.2	+12.3	61.71	-4.2	+17.2
South Asia							
India[5]	(61)	72.17	-3.3	-23.0	79.84	-3.3	-16.4
Indonesia[6]	(31)	79.61	-0.6	+35.6	90.44	-0.9	+37.5
Malaysia	(61)	201.50	-0.2	+23.2	190.96	-0.4	+21.0
Pakistan[7]	(8)	218.83	-1.1	+9.3	269.12	-1.0	+16.1
Thailand	(52)	242.06	-2.4	+5.1	244.05	-2.2	+4.7
Euro/Mid East							
Greece	(17)	220.49	+2.5	+12.9	350.99	+2.6	+23.3
Jordan	(5)	169.78	-5.8	+45.3	244.46	-5.5	+47.4
Portugal	(16)	92.82	+2.0	+20.3	106.50	+4.7	+36.6
Turkey[8]	(31)	136.28	-1.2	+103.8	710.22	+0.2	+164.8

Indices are calculated at end-week, and weekly changes are percentage movement from the previous Friday. Base date: Dec 1988=100 except those noted which are:(1)Feb 1 1991;(2)Jan 5 1990;(3)Jan 3 1992;(4)Jan 4 1991;(5)Nov 6 1992;(6)Sep 28 1990;(7)Mar 1 1991;(8)Aug 4 1989

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co. and NatWest Securities Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	TUESDAY JULY 20 1993 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	MONDAY JULY 19 1993 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 1993 High	1993 Low	Year ago (approx)
Australia (69)	139.24	+0.7	137.49	95.32	123.72	136.69	+0.6	3.67	138.27	136.80	94.79	122.61	135.88	144.19	117.39	141.95
Austria (17)	154.93	+0.9	152.98	106.06	137.65	137.77	+1.0	1.41	153.81	151.96	105.31	136.21	136.38	154.93	131.16	156.31
Belgium (42)	149.54	-0.8	147.65	102.36	132.86	130.17	-0.5	4.40	150.73	146.12	103.32	133.65	130.84	156.76	191.16	148.58
Canada (108)	124.80	+0.3	123.23	85.43	110.88	115.54	+0.3	2.91	124.42	123.10	85.29	110.31	115.16	130.38	111.41	127.62
Denmark (33)	214.19	-0.5	211.43	146.59	190.25	192.07	-0.2	1.16	215.26	212.97	147.57	190.86	192.49	225.64	185.11	237.59
Finland (23)	100.04	+2.3	96.78	68.49	88.88	120.68	+2.3	1.01	97.76	96.72	67.02	86.69	118.19	100.92	65.50	75.00
France (97)	151.24	-1.0	149.34	103.53	134.37	138.49	-0.5	3.31	152.75	151.13	104.71	135.43	139.22	167.36	142.72	155.88
Germany (60)	117.04	+0.0	115.57	80.14	103.99	103.99	+0.2	2.04	117.03	115.78	80.24	103.78	103.76	117.10	101.56	122.45
Hong Kong (55)	274.90	+0.3	271.44	188.19	244.26	273.70	+0.3	3.46	274.10	271.16	167.90	243.05	272.97	301.61	218.82	250.67
Ireland (15)	191.30	+0.2	159.27	110.42	143.32	191.08	+0.5	3.42	160.92	159.21	110.31	142.68	160.24	170.40	129.28	158.21
Italy (70)	69.96	-0.2	69.07	47.89	62.15	83.47	+0.9	1.95	70.07	69.32	48.03	62.12	82.70	72.82	53.78	62.80
Japan (470)	149.94	-0.5	148.05	102.65	133.24	102.65	-0.8	0.81	150.64	149.04	103.27	133.59	103.27	155.96	100.75	98.36
Malaysia (69)	333.67	+0.3	329.67	228.55	296.64	330.47	+0.3	2.04	332.74	329.21	228.09	295.03	329.41	349.34	251.66	246.68
Mexico (19)	1552.41	+0.1	1532.86	1062.75	1379.33	5304.15	+0.2	0.93	1550.15	1533.69	1062.67	1374.49	5293.86	1725.81	1410.30	1458.01
Netherland (24)	165.15	-1.2	163.07	113.06	146.74	144.91	-1.1	3.79	167.17	165.40	114.60	148.23	146.46	172.75	150.39	162.13
New Zealand (13)	51.97	+0.7	51.32	35.58	48.16	50.48	+0.7	4.42	51.62	51.07	35.39	45.77	50.14	52.94	40.56	46.90
Norway (22)	158.82	-0.4	156.82	108.72	141.11	157.52	+0.0	1.67	159.47	157.78	109.32	141.40	157.47	166.21	137.71	166.71
Singapore (38)	247.08	+0.0	243.97	169.15	219.53	184.46	+0.0	1.87	247.08	244.46	169.38	219.08	184.40	262.79	207.04	209.64
South Africa (60)	206.26	-0.6	203.66	141.20	183.26	203.77	-0.7	2.49	207.49	205.29	142.24	183.97	205.21	211.77	144.72	203.08
Spain (44)	120.72	+0.0	119.20	82.65	107.26	122.79	+0.7	4.70	120.69	119.41	82.74	107.01	121.67	132.82	115.23	140.27
Sweden (36)	172.05	-0.7	169.88	117.78	152.87	203.57	+0.3	1.66	173.25	171.41	118.77	153.62	202.87	184.06	149.70	197.58
Switzerland (50)	124.63	-2.8	123.06	85.33	110.75	116.21	-2.4	1.87	128.20	126.83	87.89	113.88	116.06	129.36	108.91	110.65
United Kingdom (218)	172.61	-0.4	170.43	118.15	153.35	170.43	-0.9	4.07	173.28	171.44	118.78	153.63	171.44	161.99	162.00	183.39
USA (520)	183.15	+0.3	180.84	125.38	162.73	183.15	+0.3	2.80	182.60	180.66	125.16	161.91	182.60	186.27	175.38	168.52
Europe (751)	143.91	-0.6	142.10	98.52	127.67	197.84	-0.5	3.24	144.84	143.30	99.29	128.43	138.26	149.02	133.92	147.90
Nordic (114)	164.05	-0.3	191.98	112.31	145.78	169.11	+0.4	1.47	164.53	162.79	112.79	145.88	168.42	171.77	142.13	174.55
Pacific Basin (714)	153.20	-0.4	151.27	104.88	136.12	108.95	-0.5	1.09	153.76	152.13	105.41	136.34	109.48	159.07	105.89	103.11
Euro-Pacific (1465)	149.28	-0.5	147.40	102.16	132.63	121.05	-0.5	1.94	149.99	148.39	102.81	132.98	121.63	154.05	117.26	121.23
North America (628)	179.52	+0.3	177.25	122.91	159.53	178.55	+0.3	2.80	178.98	177.08	122.71	158.72	178.02	182.38	171.51	165.95
Europe Ex. UK (533)	125.77	-0.8	124.19	86.12	111.77	118.41	-0.4	2.69	126.79	125.44	86.94	112.45	118.85	128.65	112.51	126.37
Pacific Ex. Japan (244)	185.81	+0.4	183.47	127.22	165.11	171.91	+0.4	3.21	185.02	183.05	126.86	164.08	171.26	194.08	152.70	169.88
World Ex. US (1652)	149.90	-0.4	148.01	102.63	133.19	123.07	-0.5	1.96	150.58	148.98	103.23	133.52	123.63	154.27	118.51	123.17
World Ex. UK (1954)	158.80	-0.1	156.80	108.72	141.11	138.68	-0.1	2.10	159.03	157.34	109.02	141.02	138.85	161.34	134.22	133.19
World Ex. So. Af. (2112)	159.82	-0.2	157.81	109.42	142.02	141.14	-0.2	2.28	160.08	158.38	109.75	141.96	141.37	162.74	187.29	137.13
World Ex. Japan (1702)	167.33	+0.0	165.23	114.56	148.70	163.31	+0.0	2.95	197.37	165.60	114.75	148.43	163.28	170.05	157.47	160.48
The World Index (2172)	160.04	-0.2	158.03	109.57	142.21	141.66	-0.2	2.28	160.30	158.60	109.90	142.15	141.90	162.88	137.32	137.52

Latest prices were unavailable for this edition.

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but loses